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COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

(With Additional, Supplemental, and Minority Views)

ON THE

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2019

SUBMITTED PURSUANT TO SECTION 301(d) OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

ONE HUNDRED FIFTEENTH CONGRESS
SECOND SESSION

APRIL 2018

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February 27, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
U.S. House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Womack:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the mission areas within the Committee's jurisdiction. The Committee on Agriculture appreciates the opportunity to share its views and estimates for fiscal year 2019.

In our letter to the Committee on the Budget last year, we acknowledged the difficult task before your Committee each year as you seek our shared goal of putting the nation's fiscal house in order.

We also wrote of the extremely trying times in rural America with our nation's farmers and ranchers struggling to cope with a more than 50 percent drop in net farm income, the steepest drop since the Great Depression.

We further observed that, despite these economic conditions, the current Farm Bill is on target to contribute more than $100 billion to deficit reduction over a 10-year period, four times what was pledged by our Committee during the legislation's development and passage. As we noted at the time, these significant savings are also being achieved despite our Committee's budget constituting just 1.7 percent of total federal spending, with the farm safety net under the commodity and crop insurance titles constituting only about 0.26 percent of total federal expenditures.

In view of these facts, we urged the Committee on the Budget to require no further budget reductions from within our jurisdiction but rather that the budget resolution respect the contributions we have already made to deficit reduction and to provide us with the flexibility we need to develop and enact a Farm Bill that is capable of addressing current conditions.

Today, we write to renew this request.

As you know, conditions have not improved in rural America but have only worsened. Net farm income is down 52 percent from where it stood just five years ago; reports indicate that chapter 12 bankruptcies are up 33 percent over the past two years; and the U.S. Department of Agriculture's Economic Research Service recently issued a report indicating that farm income has fallen to levels not seen in 12 years.

Last year's hurricanes and wildfires—in addition to perennially high and rising foreign subsidies, tariffs, and non-tariff trade barriers—help explain why agricultural economists see no end in sight to current conditions. These culprits also underscore the importance of strong commodity and trade titles to the Farm Bill and of fully protecting and strengthening Federal Crop Insurance. They also serve as important reminders of why U.S. farm policy is so vital to a sector of our economy to which 21 million American jobs are owed.

As part of the more than $100 billion in deficit reduction, the nutrition title under the 2014 Farm Bill has produced significant savings even as it continues to provide a critical hand up to American families in need. We anticipate taking this fiscal success into full account as we work to develop bipartisan policies in the 2018 Farm Bill that will continue to ensure that all American families have food on their tables.

Further, we believe that an already highly successful conservation title, aimed at promoting cleaner water and air, reducing soil erosion, and enhancing wildlife habitat, will take on even greater importance as federal policymakers move away from more regulatory regimes toward voluntary, incentive-based assistance programs. Moreover, policies under the credit, rural development, forestry, and energy titles are also of great importance, with hard times in farm and ranch country creating a credit crunch, and with the new emphasis on expanding broadband access and addressing the opioid crisis hampering the quality of life in rural areas. We also want to take advantage of opportunities in forestry and new crop uses in order to create greater economic growth and jobs in rural America. Finally, the research and horticulture titles continue to play crucial roles for America's farm and ranch families, including helping us maintain a competitive edge through innovation.

Despite the incontrovertible fiscal success of the 2014 Farm Bill and the importance of the policies it contains, we have already witnessed a myriad of proposals to "reform" or otherwise cut these policies, and we regret that too many of them appear to be ideologically motivated rather than grounded in a solid understanding of the issues involved. Whatever the motivation behind them, we will undoubtedly have to contend with these kinds of proposals and the damage they threaten to do to rural America.

But, for this Committee's part, based on the parameters set down by the joint budget resolution for fiscal year 2018, we have engaged in an extensive, thoughtful, and bipartisan review of all policies within our jurisdiction, a process first begun three years ago. This process is now culminating into the final stages of drafting the 2018 Farm Bill, which the Committee has resolved to consider in the first quarter of this year. As such, any midstream change in the budget parameters required of us would significantly hinder our bipartisan efforts to meet the call of many, including the President, for the on-time enactment of a strong, new Farm Bill.

As you know, even under existing parameters, our job will not be easy. Lapsing budget baselines for some 39 programs along with additional needs that have been identified are coming face to face with the finite resources that we have available and, consequently, tough choices must be made. We are determined to make these difficult choices in a fiscally responsible manner and are prepared to do so in a way that is fully consistent with our obligations under the current budget. We respectfully urge the Committee on the Budget to afford us this opportunity.

Thank you once again for this opportunity to present our budget views and estimates and for your Committee's important work.

Sincerely,

K. Michael Conaway
Chairman

Collin C. Peterson
Ranking Minority Member

Enclosure

U.S. House of Representatives
Committee on Agriculture
Room 1301, Longworth House Office Building
Washington, DC 20515–6001

(202) 225-2171

March 1, 2017

The Honorable Diane Black, Chairman
Committee on the Budget
U.S. House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Madame Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing below the recommendations of the Committee on Agriculture with respect to the mission areas within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for fiscal year 2018.

The Committee understands the difficult task the Committee on the Budget faces each year in establishing a fiscally responsible framework for Congress to work within, particularly in an environment with the potential for significant new demands on finite resources, with deficits forecast by the Congressional Budget Office (CBO) already expected to exceed $1 trillion by the end of this 10-year budget window, contributing to almost $25 trillion in debt held by the public by 2027.

Despite this sobering fiscal outlook for our nation, behind CBO's estimates are the assumptions of a continuation of current law and a slow rate of economic growth. The Committee is hopeful that the legislative activities of the 115th Congress will prove successful in changing the current trajectory by spurring economic growth and jobs from which increased revenues and reduced federal spending will naturally flow. In fact, the Committee on Agriculture will undertake legislation this Congress that is absolutely critical to the realization of this objective, namely the farm bill. To be sure, rural America and farm and ranch country are in a severe economic slump right now, with no end in sight, and that is motivation enough for passage of a new farm bill. But, a new farm bill also has important implications for national economic growth and, therefore, the federal budget as well.

A recent article in The Wall Street Journal, "American Farm Bust is Upon Us" (Feb. 7, 2017), offers an incisive glimpse at the condition of American agriculture today. Based on the latest report by the U.S. Department of Agriculture's Economic Research Service (ERS), U.S. farmers and ranchers are now expected to experience a 50 percent decline in net farm income compared with four years ago, the sharpest four-year percentage drop since the start of the Great Depression.

The Agricultural and Food Policy Center at Texas A&M University and the Food and Agricultural Policy Research Institute at the University of Missouri, on whom the Committee on Agriculture relies for economic analysis, as well as the U.S. Department of Agriculture and the Federal Reserve all confirm the very difficult conditions reflected in the latest ERS report and the article in The Wall Street Journal. In fact, one in ten farms is highly or extremely leveraged today. Nominal debt levels on the farm are at all-time highs and real debt levels are approaching those not seen since the 1980s farm financial crisis, with rising farm debt mitigated only by lower interest rates as compared to the 1980s. For producers blessed with a relatively low debt load, strong production, and good prices in recent years, bleak economic conditions are just beginning to take their toll. But, for a good many who are carrying heavier debt or who have experienced low yields or turbulent or low prices in recent years, these producers are being severely tested.

The Wall Street Journal article, which we commend to your attention, cites a farmer with an ominous warning: "The potential for a big crisis is real...If things stay similar to how they are now, you haven't seen anything yet." In fact, the article observes concerns that current conditions may well trigger the biggest wave of farm foreclosures since the 1980s while also pointing to a concerning milestone in the history of American agriculture: the number of American farmers is expected to drop to its lowest point since the Louisiana Purchase, which triggered the nation's westward expansion, and this at a time when global population is spiraling toward 9 billion people who will rely heavily on America's farmers and ranchers to feed and clothe them.

Some on the Committee recall the 1980s farm financial crisis and the immense adverse impacts that it had on the entire U.S. economy. Many remember the 1990s farm crisis that was harsh but yet effectively mitigated by strong U.S. farm policy. And most can recollect a strong farm economy helping to offset the economic impacts of the manufacturing crisis that unfolded in the early years of the last decade. These relatively recent experiences demonstrate how a healthy agricultural economy and strong farm policy positively impact the national economy while an unhealthy agricultural economy and weak farm policy can seriously undermine it. Current times are not exempt from this rule. We have a very tenuous agricultural economy right now and unless met with strong and certain U.S. farm policy going forward, the farmer quoted in The Wall Street Journal may prove all too prescient. The Committee is deeply concerned that Congress strenuously avoid adding more uncertainty to already uncertain times through another prolonged farm bill debate or, worse, a failed reauthorization effort or the exacerbation of current hardships through either the extension of current law or the passage of a farm bill that is simply not up to the job. These ordeals would not only deal serious injury to American agriculture at a time when our farmers and ranchers can least afford it, but it would greatly undermine jobs creation and economic growth nationally, making current CBO projections of slow growth and, consequently, higher deficits a greater probability. Therefore, the Committee believes it is imperative that Congress pass a good farm bill, on time, as the President has called for.

Toward this end, we respectfully urge the Committee on the Budget to require no further budget reductions from within the jurisdiction of the Committee on Agriculture but, rather, that the fiscal year 2018 budget resolution fully respect the commitments made under the 2014 Farm Bill while providing the Committee the budget flexibility necessary to develop and enact an effective new farm bill before the current law expires.

As you know, the Committee on Agriculture voluntarily undertook to save taxpayers $23 billion (including sequestration) over ten years in the context of the 2014 Farm Bill. These savings were committed to at the beginning of the farm bill process and policies were subsequently tailored around these cuts. Yet, despite the Committee's successful efforts to achieve significant taxpayer savings, critics of U.S. farm policy have routinely called into question the authenticity of these savings. These unsubstantiated claims of phantom savings must now give way to the Congressional Budget Office's (CBO) January baseline update that tells the real story.

CBO estimates show that the current farm bill will save $104 billion, or more than four times what had previously been pledged. Lower post-recession subscription to the Supplemental Nutrition Assistance Program (SNAP) and lower Federal Crop Insurance spending primarily explain the substantially higher than expected ten year savings. The new savings to Federal Crop Insurance, totaling $10 billion, come in addition to another $17 billion in legislative or administrative savings from crop insurance over the past decade. These reductions have resulted in, among other things, a widespread consolidation among agents and companies as they seek to operate on thin and, at times, even negative margins, threatening the viability of private sector delivery which is a pillar to the success of Federal Crop Insurance. Fortunately, despite these challenges, enactment of costly, un-budgeted ad hoc disaster programs, once an annual occurrence, remains a thing of the past thanks to Federal Crop Insurance. The commodity, conservation, trade, and credit titles to the farm bill are also under budget despite current hard economic times, increasing regulations, the rising use of predatory trade practices by foreign countries, and the growing borrowing needs of producers who are struggling to show they can cash flow in order to obtain credit. Meanwhile, the rural development, research, forestry, energy, horticulture, and miscellaneous titles, are comparatively small titles in terms of overall farm bill funding though of no less importance.

The Committee believes it is especially significant that the aggregate level of taxpayer savings from all of the farm bill titles—$104 billion—is being achieved amid extremely difficult and worsening times in farm and ranch country. This level of savings is especially impressive given the entire farm bill comprises just 1.7 percent of the total federal budget, with support to farmers and ranchers under the Commodity Title and Crop Insurance constituting only 0.26 percent of the overall budget. However, we also believe that today's economic conditions in farm and ranch country warrant, and the Committee's successful fiscal record certainly justifies, our taking a different approach with respect to the development of the 2018 Farm Bill, by first establishing what policies are required to effectively address the conditions in farm and ranch country and then by establishing what resources will be required to achieve them.

In fact, we began this process more than two years ago, during which time the Committee has held 84 hearings to evaluate the purpose, effectiveness, and efficiency of the policies within the Committee's jurisdiction. This year, the Committee will continue its work as we ramp up to develop and enact a strong new farm bill. In this process, we commit that the Committee will continue to seek to build on our past success in saving taxpayer money wherever possible even as we urge you to provide the flexibility necessary to address very difficult conditions in rural America. While additional, responsible savings may yet be achieved by the Committee this Congress, depending upon the outcome of a thorough examination of the policies within its jurisdiction, as you know, truly meaningful deficit reduction will necessarily depend on contributions from beyond the jurisdiction of the Committee on Agriculture where more than 98 percent of Federal spending resides. An exclusive or even over reliance on savings from the Committee on Agriculture will ultimately fail to seriously move the needle in meeting the fiscal objectives that our Committees share while also seriously undermining the mission areas within the jurisdiction of the Committee on Agriculture.

We would be remiss not to observe that America's farmers and ranchers are in the predicament they are today due to conditions beyond their control, including Mother Nature and the predatory trade practices of foreign governments and the serious injury they work upon American agriculture. Neither can be controlled by U.S. producers, nor are the risks that they pose easily managed, if they can be managed at all.

For example, according to the Office of the United States Trade Representative, China recently exceeded by $100 billion its permissible level of subsidies under its World Trade Organization commitments in a single year with respect to just three crops. Put into perspective, $100 billion would pay for the U.S. safety net for all commodities over the period of an entire farm bill plus more than half of another. These Chinese farm subsidies have injured American corn, wheat, and rice farmers, but other Chinese government policies have worked to harm other U.S. farmers and ranchers as well, including producers of cotton. Prior to passage of the 2014 Farm Bill, the Chinese government had embarked on an aggressive policy that sent global cotton prices soaring to record highs. Those decisions led to record cotton stocks in China which in turn led to plummeting prices from which the market is still struggling to recover. Predatory trade practices are not at all peculiar to China. Several governmental, academic, and private studies indicate that nearly all foreign countries were ratcheting up their already high subsidies, tariffs, and non-tariff trade barriers even as the U.S. was cutting support to America's farmers and ranchers. An example of a country closer to home is Mexico which was recently found by the International Trade Commission to have illegally dumped sugar onto the U.S. market at below Mexico's cost of production, depressing prices received by U.S. sugar farmers. In fact, within three years of Mexican dumping, Hawaii sugar farmers shuttered their iconic industry after 180 years of business.

Again, these are only a handful of the kind of trade infractions by our trading partners that warrant an effective response from the United States government. The safety net provided by the farm bill is intended to provide at least some modicum of relief to our nation's farmers and ranchers who are the most efficient producers in the world but simply cannot compete with the seemingly bottomless treasuries of foreign governments. In some instances, the safety net provided by the 2014 Farm Bill is up to the job. However, in a number of other cases, the safety net has proved inadequate under current conditions. As examples, there are very serious and growing concerns over the adequacy of current cotton and dairy policies and the Agriculture Risk Coverage (ARC) option. These shortcomings as well as others must be addressed if the Committee is to craft a farm bill that can be successfully enacted into law and effectively respond to current conditions. America's farmers and ranchers can hardly be expected to rally around a farm bill that will fail them in hard times, nor can this Committee in good conscience advance such legislation. What policy changes and resources it will take to properly address these issues are yet to be determined and will be the topic of hearings both in Washington and in the field, thus the need for budget flexibility.

With respect to conservation policy, the 2014 Farm Bill answered the call for meaningful deficient reduction, saving taxpayers $6 billion by streamlining and targeting delivery to farmers, ranchers, and foresters. In addition, appropriations limitations and sequestration have resulted in growing backlogs in demand for these programs. The Committee continues to believe that the focus should remain on enhancing voluntary, incentive-based conservation in lieu of burdensome regulations that stifle the rural economy.

In regard to the nutrition title, while Committee Members hold widely differing and often passionate views, particularly with respect to the Supplemental Nutrition Assistance Program (SNAP), formerly known as Food Stamps, we must all acknowledge that CBO is projecting that the Nutrition Title is achieving savings relative to the previous farm bill and significantly more than anticipated during the last farm bill debate. Yet, as encouraging as they are, these savings did not alter the Committee's pledge to conduct a top-to-bottom review of SNAP, which accounts for roughly 80 percent of farm bill expenditures. In fact, the Committee Majority published its extensive findings regarding SNAP last year, largely focusing on eliminating program vulnerabilities while further promoting program strengths. However widely the views of Members of the Committee vary on the subject of SNAP, we all share a common conviction in the dignity of every person and the importance of creating economic opportunity so each and every person is able to live the American dream. On this, we are all agreed.

As the Committee looks forward, we expect to build on the bipartisan achievements of our panel in the 114th Congress, including with the on-time enactment of a strong new farm bill; reauthorization of the Commodity Futures Trading Commission; moving legislation to lift arbitrary, costly, and counterproductive regulatory burdens placed upon rural America by the federal government; and in conducting vigorous oversight to make certain that both taxpayers and those for whom policies within our jurisdiction are established are well served.

Therefore, we respectfully request that the Committee on the Budget give careful consideration to current conditions in rural America and the very significant contributions toward deficit reduction already made by the Committee on Agriculture. We further urge you to require no further budget reductions from within the jurisdiction of the Committee on Agriculture but rather that the fiscal year 2018 budget resolution fully respect the commitments made under the 2014 Farm Bill while providing the Committee the budget flexibility necessary to develop and enact an effective new farm bill before the current law expires.

Thank you for this opportunity to present the budget views and estimates of the Committee on Agriculture.

Sincerely,

K. Michael Conaway
Chairman

Collin C. Peterson
Ranking Minority Member

U.S. House of Representatives
Committee on Agriculture
Washington, DC 20515

March 1, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member
Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Womack and Ranking Member Yarmuth:

As Members of the Committee on Agriculture, we write to provide additional views to the Committee's Budget Views and Estimates letter that was considered and adopted by the Committee on February 27, 2018. We appreciate the opportunity to provide these additional views.

One of our Committee's most significant areas of jurisdiction is the Supplemental Nutrition Assistance Program (SNAP). SNAP is our nation's best chance to alleviate hunger across our country. It provides millions of families, children, seniors, veterans, and other vulnerable adults with a modest nutrition assistance benefit—on average, just $1.40 per person, per meal—to supplement their food budgets. The program currently serves about 43 million Americans in both urban and rural areas, and its entitlement structure allows the program to expand during times of economic hardship and contract as conditions improve. Among those households that can work, the vast majority do in the year before or after receiving benefits.

Over the past three years, our Committee has undertaken a thorough review of SNAP. We held 23 hearings and heard more than 40 hours of testimony from over 89 experts which resulted in hundreds of pages of official hearing record. We learned from experts—conservative and liberal—that SNAP benefits should not be cut, and that current benefits are inadequate. We also learned that SNAP does not discourage work, and that eliminating the work waivers for able-bodied adults hampers state flexibility and will increase hunger. Additionally, we heard from these experts that case management and job training programs can be successful in helping to move people out of poverty, but those efforts require a well-funded, multi-year commitment. Most importantly, we learned that SNAP is working as intended – lifting millions of families out of poverty, increasing their incomes, and improving their health, educational, and economic outcomes.

Given all of these lessons learned, we continue to be concerned about proposals from the Trump Administration and Republicans in Congress to dramatically undermine SNAP through cuts, structural changes, and the imposition of other problematic roadblocks to accessing benefits. The FY 2018 House Budget dismantled SNAP and cut it by over $150 billion, and the Administration's recent Budget Proposal sought similarly problematic cuts and changes. In particular, we oppose the imposition of more onerous work requirements on able-bodied adults without dependents (ABAWDs) and further impediments to their ability to access SNAP. We also oppose drastic changes to broad-based categorical eligibility and other proposals to cut benefits or reduce access to nutrition programs.

Just as they did in 2014, dramatic proposals like these jeopardize the timely completion of a bipartisan Farm Bill. As Members of Congress committed to strengthening our farm economy, supporting rural communities, and maintaining the urban/rural coalition that has, for decades, come together to support our food system and improve the lives of our constituents, we have grave concerns that cutting SNAP will severely obstruct – or even halt – efforts to pass a Farm Bill in 2018.

As our economy continues to recover, it is important to note that SNAP participation has declined during the past several years. Because of this decline in SNAP participation and other factors like low food inflation, recent projections from the Congressional Budget Office estimate that SNAP will save over **$92 billion** over 10 years as compared to baseline projections used to write the 2014 Farm Bill. It is important to note that some of the caseload decline is attributable to the return of the three-month time limit in many states and jurisdictions for non-disabled childless adults who are working less than 20 hours a week. Just because these vulnerable adults are being forced off of SNAP does not mean they are now food secure.

We appreciate that Chairman Conaway is committed to taking these savings into account as he works to develop a Farm Bill. We remain committed to working on a bill that is truly bipartisan – the result of good faith negotiation and give and take on both sides. Until then, we remain skeptical about the process being used to write this Farm Bill and the contents of the bill itself.

Far too many Americans continue to struggle with food insecurity in the United States, and we must preserve the dignity and health of the most vulnerable among us through the basic and reliable food assistance provided by SNAP. We strongly urge you to maintain the entitlement structure of SNAP and reject any attempts to further cut funding or place additional burdens on those looking to access these modest benefits.

Thank you for considering our additional views. We look forward to working with you and with Members of the Committee on the Budget on this critical issue.

Sincerely,

James P. McGovern
Ranking Member
Subcommittee on Nutrition
Committee on Agriculture

Ann McLane Kuster
Member of Congress

Filemon Vela
Member of Congress

Michelle Lujan Grisham
Member of Congress

Al Lawson
Member of Congress

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Jimmy Panetta
Member of Congress

Dwight Evans
Member of Congress

Richard M. Nolan
Member of Congress

Lisa Blunt Rochester
Member of Congress

Jim Costa
Member of Congress

COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED FIFTEENTH CONGRESS

March 9, 2018

The Honorable Steve Womack
Chairman, Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Womack:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, and clause 4(f) of rule X of the Rules of the House of Representatives for the 115th Congress, we are forwarding to you the views of the Committee on Armed Services regarding the National Defense Budget Function (050) for fiscal year 2019 (FY19).

As the Chairman and Ranking Member of the Committee on Armed Services, we are encouraged to see that your committee intends to focus on important national priorities such as national defense. The Committee on Armed Services' emphasis on restoring readiness shortfalls while enacting significant reforms affecting the Department of Defense has been the hallmark of our activity in recent years.

The committee takes our responsibility to oversee national defense efforts very seriously. As discussed below, we will continue to pursue solutions to restore the readiness of our Armed Forces both in the current fiscal year and in the future, review the progress of past reform activities while implementing new reforms as our oversight discovers ineffective processes within national defense activities, and ensure that additional funds received will be properly executed.

The Honorable Steve Womack
March 9, 2018
Page 2

The Need for Restoring National Defense

The National Defense Authorization Act for Fiscal Year 2017 (section 941) required the Secretary of Defense to develop a National Defense Strategy (NDS) and to submit it to the congressional defense committees every four years. This strategy was delivered to Congress last month. In announcing the submission of the NDS, Secretary Mattis stated:

"[t]he world, to quote George Shultz, is awash in change, defined by increasing global volatility and uncertainty with Great Power competition between nations becoming a reality once again. Though we will continue to prosecute the campaign against terrorists that we are engaged in today, but Great Power competition, not terrorism, is now the primary focus of U.S. national security."[1]

But Secretary Mattis also noted:

"[O]ur competitive edge has eroded in every domain of warfare, air, land, sea, space and cyberspace, and it is continuing to erode....[r]apid technological change, the negative impact on military readiness is resulting from the longest continuous stretch of combat in our nation's history and defense spending caps, because we have been operating also for nine of the last 10 years under continuing resolutions that have created an overstretched and under-resourced military."[2]

Although the United States military remains the greatest fighting force in the world, it still has capability gaps in critical areas:

<u>Air Dominance</u>

Air dominance permits the conduct of operations without effective interference from an opponent's air and missile threats. It also can reduce casualties, shorten the duration of conflict, and enable the achievement of other military objectives. For example, air dominance facilitates intelligence, surveillance, and reconnaissance, tactical lift, aerial refueling, and strike missions.

Indeed, since the end of the Cold War, the United States has benefited from air dominance in all our military engagements. However, in future contingencies beyond the counterterrorism fight, air dominance is no longer assured – or even likely. The proliferation of highly sophisticated and advanced integrated air defense systems will challenge even the most advanced United States weapon systems. At the same time, due to shortfalls in defense spending, the United States' capacity, capability, and readiness of our tactical air forces is shrinking. General Glenn Walters, the Assistant Commandant of the Marine Corps, noted in testimony before our Committee:

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[1] Remarks by Secretary Mattis on the National Defense Strategy. January 19, 2018.
[2] Ibid.

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"The impact of reduced funding levels on our depot level maintenance capacity still resonates today. We have temporarily reduced the number of aircraft assigned to our fighter-attack and heavy lift squadrons. We simply do not have the available aircraft to meet our squadrons' requirements. This means that flight hour averages per crew per month are below the minimum standards required to achieve and maintain adequate flight time and training and readiness levels."[3]

Gen Wilson, the Vice Chief of Staff of the Air Force testified:

"Today we find ourselves less than 50 percent ready across our Air Force and we have pockets that are below that."[4]

Vice Admiral Mike Shoemaker, the Commander, Naval Air Forces, testified before the committee that less than half of our F/A-18 fighters were mission capable at the beginning of October 2017, largely due to maintenance issues and a lack of needed spare parts. In order to mitigate these threats and challenges we must invest in the near-term readiness recovery of the aviation community through adequate funding of depot and unit level maintenance as well as the building up the supply of parts and spares. At the same time, it is important that we invest in the future aviation readiness through the procurement of 5th generation strike fighters that will be capable of penetrating enemy air defenses.

As to U.S Air Force projection forces, we continue to employ aged bombers, and our tanker forces were designed and constructed in the 1950s. The U.S. Air Force is able to sustain these forces, but maintenance costs are steadily increasing. Fortunately, industry is prepared to respond and replace our bombers and tankers. Reliable funding is needed for the new Long Range Strike Bomber (B-21), currently in development. In addition, the first deliveries of KC-46A tanker aircraft will begin later this year.

Ground Forces

Americans rightly expect that when we send troops into battle, our ground forces should have the best equipment, providing them with the greatest advantage. However, as General Daniel Allyn, then the Vice Chief of Staff of the Army, testified in 2017:

"Our Army requires modernized equipment to win decisively, but today we are outranged, outgunned and outdated. We have prioritized our near-term readiness to the detriment of equipment modernization and infrastructure upgrades, assuming risk and mortgaging our future readiness."[5]

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[3] Testimony of General Glenn Walters, USMC, Assistant Commandant of the Marine Corps, before the House Armed Services Committee, "State of the Military," February 7, 2017.
[4] Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, "State of the Military," February 7, 2017.
[5] Testimony of General Daniel Allyn, USA, Vice Chief of Staff of the Army, before the House Armed Services Committee, "State of the Military," February 7, 2017.

Ongoing and emerging missions have kept operations at elevated levels, while end strength cuts have reduced available forces to support these operations. Though the Army has tried to reverse this readiness decline, additional funding is critically needed to grow the Army and the Marine Corps. Otherwise, our ability to rapidly and successfully respond to future contingencies is at risk. Creating well-trained Army brigades is a complex endeavor that requires something we cannot purchase, but can easily lose – time. Growing end strength will take 5-10 years. This is why it is critical to continue responsible end strength increases. Otherwise, the Army and the Marine Corps will continue to lose their competitive advantages in high-end combat. The ability to achieve ground combat overmatch through superior combined arms maneuver warfare is being challenged by competitors who are developing capabilities and techniques specifically designed to counter areas in which the United States enjoys ground force advantage. Without funds to adequately grow and train forces, our advantage erodes. Additional funding in FY19 would allow the Army to accelerate the prepositioning of modernized equipment to Europe, grow a new Armored Brigade Combat Team, and build a new combat aviation brigade to reinforce the U.S. deterrence posture in Europe against further Russian aggression along NATO's eastern flank.

Naval Presence

Our naval presence projects power across the globe, allowing for the freedom of movement for both commercial and defensive maneuvers. But when we cannot maintain the limited number of ships in our fleet, our ability to project power diminishes substantially. As Admiral William F. Moran, USN, Vice Chief of Naval Operations, explains:

"[O]ur shipyards and aviation depots are struggling to get our ships and airplanes through maintenance periods on time. In turn, these delays directly impact the time Sailors have to train and hone their skills prior to deployment...It has become clear to me that the Navy's overall readiness has reached its lowest level in many years."[6]

Current naval operations have depleted the reserve capacity of our fleet. With operations continuing to rise in the Pacific and the Middle East, sailors do not have adequate time to train at home station prior to deployment. This excess operational tempo has led to significant naval mishaps. In 2017 alone, both the USS John S. McCain and USS Fitzgerald were involved in collisions that the Navy concluded were avoidable. Terms like "complacency," "over-confidence" and "lack of procedural compliance" were used to explain the mishaps.[7] The pace of operations will continue to debilitate naval readiness until sufficient training is provided to our sailors and pilots prior to deployment. Addressing current readiness challenges needs to be concurrently supported by an increase in future readiness and additional naval force structure and manpower.

[6] Testimony of Admiral William F. Moran, USN, Vice Chief of Naval Operations, before the House Armed Services Committee, "State of the Military," February 7, 2017.
[7] "Navy Releases Collision Report for USS Fitzgerald and USS John S McCain Collisions", November 1, 2017, http://www.navy.mil/submit/display.asp?story_id=103130

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Munitions

"Key precision guided munitions shortfalls are exacerbated by ongoing operations and may impact potential contingency response. Additionally, our current global inventories are insufficient for theater missile defense, standoff, and air-to-air munitions needs."[8]

Our stocks of precision guided munitions and other critical munitions have been depleted. The military services have significant requirements for replacement ammunition and munitions. Further, the committee is concerned about the munitions industrial base. In many cases, there is only a single source for a component system, and the Department cannot improve capacity. After years of sequestration and continuing resolutions, the military services have been severely limited in what they can reasonably afford regarding munitions modernization and in building munition inventories. The military has resorted to modifying existing systems. There have been few competitive opportunities, and constrained resources have limited innovation. Failing to address munitions requirements in FY19 would prevent replenishment of war reserve stocks, and prevent increases in production capacity for munitions such as Hellfire missiles, JDAMs, and small diameter bombs. Lead times for these critical munitions can be as long as 18 months, so it remains critical to start increasing investment in these program areas now.

Facilities Sustainment

"Meanwhile, our shore infrastructure has become severely degraded and is getting worse because it has been a repeated bill payer for other readiness accounts in an effort to maintain afloat readiness. Consequently, we continue to carry a substantial backlog..."[9]

Additional funding to sustain and recapitalize facilities is essential. Absent immediate additional funding to operation and maintenance and military construction (MILCON) accounts, our piers, runways, mission-critical training facilities and quality of life functions will erode, increasing the risk of mishaps, serious injury and health hazards to personnel. According to recent statements from all four Vice Chiefs, the readiness of our operating forces has been severely compromised due to degraded, inadequate, and failing infrastructure and facilities. Recent budget shortfalls have forced the services to reduce funding in facilities sustainment, restoration, modernization, and MILCON accounts to the point of extreme risk for mission failure. Proposed increases in demolition funding are essential to replacing aging infrastructure and unneeded buildings and to enabling the services to focus their limited sustainment funding on enduring facilities. This will save money in the near-term by reducing the extraordinary backlog of facility maintenance and repair across the services. As these investments are delayed, the future corrective actions become exponentially more costly.

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[8] Testimony of General Joseph Dunford, Chairman of the Joint Chiefs of Staff, before the House Armed Services Committee, "The Fiscal Year 2017 National Defense Authorization Budget Request from the Department of Defense", March 22, 2016.

[9] Testimony of Admiral William F. Moran, USN, Vice Chief of Naval Operations, before the House Armed Services Committee, "State of the Military," February 7, 2017.

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Nuclear Arsenal and Deterrent

"While our nuclear forces remain safe, secure, and effective, we will eventually require significant investment to ensure robust, reliable, flexible, and survivable nuclear readiness and deterrence well into the future."[10]

Documents and testimony provided to the Committee demonstrate that shortfalls remain across the nuclear complex. In particular, a $3.7 billion backlog of deferred maintenance and decrepit infrastructure was identified across the U.S. nuclear weapons enterprise. Such infrastructure includes one-of-a-kind production facilities that are significantly past their design life and that have lacked adequate maintenance funding for decades. Critical safety failures here would take these facilities off line for possibly years and imperil vital nuclear warhead maintenance activities. Delayed investment in the safety of our nuclear complex is inconsistent with the expectations and trust the American public and our allies place in our stewardship of these weapons.

Defending National Security Space

"The national security space enterprise, which evolved in an uncontested environment, is not resilient enough to deliver joint warfighting effects in and through today's contested space domain."[11]

We risk the ability to maintain our space capabilities (Intelligence, Surveillance, and Reconnaissance; communications; Global Positioning Systems) for the warfighter during a conflict. Potential adversaries have taken significant steps in developing counter space capabilities, which would threaten our space system. In addition, research and development investments in space are at a historical 30-year low point. Delayed investments will put us further behind in the face of a growing threat, which is already outpacing our space defense capabilities, as well as weaken a unique and critical industrial base.

Perspectives on the Current Budget Agreement

"Stable budgets and increased funding are necessary because of four external forces acting on the Department at the same time...Each of these four forces – 16 years of war, the worsening security environment, contested operations in multiple domains, and the rapid pace of technological change – require stable budgets and increased funding to provide for the protection of our citizens and for the survival of our freedoms. Because as expensive as it is for the American people to fund the military, it is far less costly in lives and treasure than a conventional war that we are unable to deter because we are seen as weak."[12]

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[10] Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, "State of the Military," February 7, 2017.
[11] Testimony of General Stephen W. Wilson, USAF, Vice Chief of Staff of the Air Force, before the House Armed Services Committee, "State of the Military," February 7, 2017.
[12] Testimony of James N. Mattis, Secretary of Defense, before the House Armed Services Committee, "The Fiscal Year 2018 National Defense Authorization Budget Request from the Department of Defense," June 12, 2017.

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The funding levels provided by the Bipartisan Budget Act of 2018 for our national defense will begin to redress our readiness shortfalls. The 2018 agreement provided the Department with the increases Secretary Mattis requested. However, Congress will need to follow the fiscal cycle through to conclusion by properly providing appropriations in a timely manner for the Department to execute these funds effectively.

"Let me be clear: As hard as the last 16 years of war have been on our military, no enemy in the field has done as much to harm the readiness of U.S. military than the combined impact of the Budget Control Act's defense spending caps, worsened by operating for 10 of the last 11 years under continuing resolutions of varied and unpredictable duration.[13] *"*

Continuing the Readiness Recovery

We note that it will take years to address the readiness shortfall. Therefore, we are pleased to see that the President's Budget request not only matches the funding levels set by the Bipartisan Budget Act of 2018 for fiscal year 2019, but maintains higher levels of funding through the Future Years Defense Plan (FYDP). While changes in the security environment must always be considered when formulating budgets, providing the Department and the defense industrial base with a reliable budget that extends into the outyears will enable more cost-effective decision-making. General Dunford cited a specific example:

"I'd like to just address that precision munitions challenge. We, today, have requested resources that get to the maximum amount that industry can produce. But there's a caveat to that. Industry can produce at the level of prediction that they have right now. In other words, they can only produce so much today based on what we're able to tell about tomorrow.

"So one of the areas the Secretary has highlighted is the need for predictability and stability in the future as well. And the only way we're going to get around the challenge is that's a great example of why we need stable, predictable budgets because we actually can't buy the precision munitions we need until we do have stable, predictable budgets at adequate levels.

"So again, industry is telling us today we're producing at the maximum rate we can -- we can. But if we were able to tell them what resources would be available two, three, four, five years down the road, they would be able to increase the industrial capacity and actually address that particular issue. So that's just one of the second order effects of the challenge we've been in living year-to-year with a number of [Continuing Resolutions] that we've had is we're not able to give industry the predictability they need to actually meet our requirements."[14]

Retaining adequate budget levels in the outyears will be critical to continuing the positive trajectory the Bipartisan Budget Act of 2018 has provided for readiness restoration. The

[13] Testimony of James N. Mattis, Secretary of Defense, before the House Armed Services Committee, "The National Defense Strategy and the Nuclear Posture Review," February 6, 2018.
[14] Testimony of General Joseph F. Dunford Jr., Chairman, Joint Chiefs of Staff, before the House Armed Services Committee, "The Fiscal Year 2018 National Defense Authorization Budget Request from the Department of Defense," June 12, 2017.

committee is also encouraged by the budget request's proposal to realign OCO funds within the base budget starting in FY20. As OCO activities become enduring requirements over time, those requirements should be funded in the base budget. Increases to base funding levels in the outyears will accommodate the realignment of funding for these enduring requirements, and the President's budget request allows for this accommodation over the life of the FYDP. While an adjustment to the funding caps in the Budget Control Act will still be required for fiscal years 2020 and 2021, we support early congressional action on an applicable budget agreement.

Committee Legislative Activities

The primary legislative vehicle of the Committee on Armed Services is the National Defense Authorization Act (NDAA). The NDAA contains all of the essential authorities required to sustain our military and is the chief mechanism through which Congress exercises its Article I, Section 8, responsibilities to raise and support armies and to provide and maintain a navy. The importance of this responsibility has ensured that for 57 consecutive years this bill has been signed into law. We intend to do the same again this year and, working with our partners in the Senate, our goal is to file and pass a conference report before the end of the current fiscal year. As we develop the NDAA for fiscal year 2019, the committee will continue its practice of conducting significant hearings, briefings, and roundtable discussions to examine the current security environment, to evaluate proposals for reform, and to assess the military requirements supporting a coherent strategy.

The committee continues to emphasize defense reform. We must improve the agility of our Armed Forces to address the complex security challenges facing our country, while also getting more value for the taxpayer dollar. Over the past three years, eleven major defense reform packages have been enacted through the NDAA:

- Military compensation and retirement reform to put these programs on fiscally responsible paths;
- Military healthcare reform that improves medical readiness, and expands access while ensuring a sustainable benefit;
- Defense commissary system reform to preserve the benefit, while also reducing reliance on appropriated funds;
- Uniform Code of Military Justice (UCMJ) reform—the most comprehensive in 30 years—that modernizes the UCMJ to improve efficiency and transparency, while also enhancing victims' rights;
- Acquisition reform to get technology to the warfighter faster and more efficiently;
- Senior leadership reform, including reductions in overhead and the number of flag officers;
- Organization and management reform that increases accountability, oversight, integration, and strategic thinking within the Department of Defense;
- Acquisition reform to add oversight to service contracts, allow the Department to use online commercial sites when economically feasible, and reduce the backlog of incurred cost audits;

- Establish a long-term effort to slim down acquisition regulations, removing unnecessarily prescriptive and obsolete requirements from the U.S. code;
- Defense data transparency to incorporate enterprise-wide data analyses into decision making and oversight; and
- National Security Space reform, empowering U.S. Air Force Space Command as the sole authority for organizing, training, and equipping all U.S. Air Force space forces.

These reforms are beginning to generate real savings. As noted by the Department, "[i]n FY 2019, the Department achieves an additional $2.9 billion in savings from the ongoing reform initiatives started in prior years."[15] Additionally, "[f]or a number of years, the [Unified Medical Budget] has been relatively flat, the result of slower health care cost growth along with aggressively pursuing both internal efficiencies and **meaningful benefit reform legislation.**"[16] Even more importantly, however, these reforms put the Department in a better position to respond to a rapidly changing, complex security environment. The committee will continue to review operations within National Defense as part of the development of this year's NDAA, while providing oversight on the significant number of reform activities undertaken over the past three years.

Financial Improvement and Audit Remediation

A responsive, healthy organization must also be able to do self-assessment. For more than 20 years, the Comptroller General of the United States has consistently identified the financial management of the Department of Defense as a high-risk area. The Department's inability to track and account for billions of dollars in funding and tangible assets continues to undermine its management approach. It also creates a lack of transparency that significantly limits congressional oversight. The Department's inability to produce auditable financial statements undermines its efforts to reform defense acquisition and to realize efficiencies. Without these objective tools, neither the Department nor Congress can verify that greater value is being created. As a result, it was this committee that mandated the Department implement the Financial Improvement and Audit Readiness plan in the National Defense Authorization Act of 2010 (Public Law 111-84).

In recognition of the Department deeming itself ready for audit by the statutory deadline of September 30, 2017, the National Defense Authorization Act of 2018 (Public Law 115-91) modified the reporting requirements to no longer focus on audit readiness; rather, to prepare to act upon future audit findings. Therefore, future requirements will focus on the remediation of those audit findings. The Department is well aware that problems exist within financial management, and are looking to the audit to determine where those shortfalls exist so that they may correct those internal processes.

Understanding the importance of this activity, the committee's first hearing of 2018 was on the Department's progress of the financial audit and anticipated results of the first full

[15] Defense Budget Overview, Office of the Undersecretary of Defense (Comptroller), February 2018, Pg. 7-2.
[16] ibid, Pg. 5-4.

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financial audit on the fiscal year 2018 financial statements. The results of this audit are required to be delivered to Congress no later than March 31, 2019. As the audit results become evident, the committee will continue its dialogue with the Department to understand identified deficiencies and how those will be resolved.

Mandatory Spending – Survivor Benefit Plan/ Dependency and Indemnity Compensation (SBP/DIC)

We would again like to bring to your attention an issue that involves a relatively small amount of funding, yet due to the limited mandatory spending levels within our jurisdiction we are not able to fully resolve.

The Department of Veterans Affairs pays a benefit called Dependency and Indemnity Compensation (DIC) to a surviving spouse and dependent children if a member dies of a service-connected cause. This includes deaths while on active duty and after retirement if the cause of death is due to an injury or disease contracted while the member was on active duty. The Survivor Benefit Plan (SBP) is a form of insurance provided by the Department of Defense to military retirees that does not require service-connected death or disability for survivors to receive payments. As originally created, the military Survivor Benefit Plan (SBP) was designed to provide an annuity to the survivors of retirement-eligible military personnel. However, Congress expanded the coverage to the survivors of individuals who die while on active duty, effective September 10, 2001. Under these provisions, the surviving spouses of active duty personnel who die are provided an annuity, but do not contribute any payments to receive that annuity. If the survivor of a military retiree is also eligible for and receives DIC, the SBP payment is reduced dollar for dollar by the DIC amount.

The committee, whenever possible, has attempted to bridge the gap. These gap payments are known as the Special Survivor Indemnity Allowance (SSIA). Since the FY 2009 NDAA, monthly SSIA stipends have been authorized in an attempt to make up the loss of reduced SBP payments, but not to the full extent. The average reduction of SBP due to the DIC entitlement is approximately $1,250 monthly; however, the SSIA stipends have ranged from $50-$310. In the FY 2018 NDAA, the monthly stipend was set at $310 with an increase in COLA in the outyears. While this was a major achievement, this was only done internally by significantly increasing TRICARE pharmacy co-pays through FY 2026. This source of mandatory spending is unavailable to our committee for any future adjustments.

There is bipartisan support to enact a repeal of this offset. As you know, you and Ranking Member Yarmuth (and more than 200 other members) are cosponsors for the Military Surviving Spouses Equity Act (H.R. 849). Repeal of the offset is currently estimated to cost approximately $8 billion in mandatory spending over the next 10 years. As you are aware, we have no flexibility to generate this amount of savings within the mandatory allocation of funds for National Defense, so we would like to work with you to increase direct spending levels for the committee to resolve this issue.

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Summary

The committee is encouraged by the administration's current budget submission for the national defense budget function. Supporting the funding levels for current and future requirements will be necessary to recover readiness shortfalls, and this support should be specifically identified in the upcoming budget resolution. Congress needs to provide our Armed Forces with stable, predictable funding. If we fail, Secretary Mattis warns the following:

"I cannot care more about our country's defense than this Congress, for it is Congress alone which has the constitutional authority to raise and support armies and to provide and maintain a navy. We need Congress back in the driver's seat, not in the spectator's seat of the Budget Control Act's indiscriminate and automatic cuts.

"I know that in time of a major war, Congress will provide our military with all it needs. But money at the time of crisis fails to deter war, and you know we would be at that point to have nothing -- no time to prepare, as it takes months and years to produce the munitions, the training and readiness required to fight well."[17]

In closing, we appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to meeting emerging threats and securing our national defense.

Sincerely,

William M. "Mac" Thornberry
Chairman

Adam Smith
Ranking Member

cc: The Honorable John Yarmuth, Ranking Member, Committee on the Budget

[17] Testimony of James N. Mattis, Secretary of Defense, before the House Armed Services Committee, "The National Defense Strategy and the Nuclear Posture Review," February 6, 2018.

COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED FIFTEENTH CONGRESS

March 9, 2018

The Honorable Steve Womack
Chairman, Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to express additional views and estimates regarding the national defense budget function for fiscal year (FY) 2019. I support the President's budget request for a total of $716 billion in discretionary budget authority for the national defense budget function for FY 2019, because it is predicated on strategic priorities and because it will restore military readiness. That said, $716 billion is a considerable sum. It is, therefore, imperative that Congress conduct extensive oversight to ensure proper executive branch stewardship of the taxpayers' investment.

Although enactment of the Bipartisan Budget Act of 2018 (the BBA) set appropriate discretionary spending levels for FY 2018 and FY 2019, it is not a panacea. In the wake of last year's tax cuts, the BBA established the potential for significant increases to the deficit and the national debt, and it only provided temporary shelter from sequestration. Sequestration levels remain in effect for discretionary funding for FY 2020 and FY 2021. Congress must eliminate sequestration and repeal the caps imposed by the Budget Control Act of 2011 (the BCA) to advance national interests along a broad front.

Congress must also work throughout the legislative cycle to provide fiscal stability to support cost-effective planning and decision-making. We must remember that, in addition to the harms inflicted by sequestration and the BCA caps, years of budgetary standoffs leading to numerous threatened government shutdowns, three actual shutdowns, and congressional overreliance on continuing resolutions have combined to produce debilitating fiscal uncertainty, which undermines the ability of every Federal Department and Agency to plan confidently and to expend funding for critical activities. Reinforcing fiscal stability begins with a responsible budget resolution that addresses the full spectrum of defense and nondefense-related needs.

Therefore, the budget resolution must deviate from the President's budget request and support BBA funding levels for FY 2019 for both the defense and nondefense categories of the

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discretionary budget. The BBA increase to the defense budget is justifiable in light of national security challenges, but enabling the achievement of defense priorities alone is insufficient. Congress needs to fund the nondefense discretionary accounts to the extent the BBA allows, because important federal spending priorities, including homeland security, law enforcement, emergency preparedness and response capacities, veterans' services, and foreign assistance programs also require sufficient budgetary support. Moreover, we need to reinvest heavily in sound infrastructure, research and innovation, education, health care, public safety, housing, the workforce, small businesses and many other facets of enduring national strength. National security involves much more than defense.

National security must also be maintained over the long term. For this reason, I support notional increases in discretionary budget authority beyond FY 2019. However, future growth in discretionary funding levels will necessarily depend on the existence of a budgetary environment that is conducive to such growth. In addition to eliminating sequestration and the BCA caps, Congress must increase revenues, re-establish regular order in the legislative process, dispel fiscal uncertainty, and empower economic performance to effectuate real growth in out-year funding levels.

Thank you for your consideration of these additional views and estimates. I look forward to working closely with you and with your colleagues on the Budget Committee in crafting a budget that responsibly addresses our national needs.

Sincerely,

Adam Smith
Ranking Member

cc: The Honorable John Yarmuth

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6100

March 5, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Womack:

Pursuant to section 301(d) of the *Congressional Budget Act of 1974* and clause 4(f) of House Rule X, enclosed please find the Budget Views and Estimates for Fiscal Year 2019 of the Committee on Education and the Workforce, with minority views and estimates attached.

Should you have any questions, please contact me at your convenience.

Sincerely,

Virginia Foxx

Virginia Foxx
Chairwoman

BUDGET VIEWS AND ESTIMATES FOR FISCAL YEAR 2019
COMMITTEE ON EDUCATION AND THE WORKFORCE
115th CONGRESS, SECOND SESSION
March 2, 2018

INTRODUCTION

At the beginning of the 115th Congress, the Committee on Education and the Workforce (Committee) made economic growth and individual opportunity its focus. A year later, hardworking Americans have begun to reap the tangible rewards of that effort. Individual paychecks for Americans employed across industries and sectors are showing the positive impact of not only the enactment of the *Tax Cuts and Jobs Act* but also the cumulative effects of the regulatory relief measures the Committee has pursued over the past year.

Moving forward, the Committee will build on this momentum by continuing its emphasis on policies that empower individuals and keep the federal government in its rightful, limited role. The economic growth spurred by the tax and regulatory reform measures enacted so far in the 115th Congress will create more jobs for more workers. The Committee will work to ensure Americans have access to the educational opportunities they want in order to acquire the skills needed to fill these jobs. The Committee will continue to do its part to ensure that American workplaces are safe and productive and that workers who have diligently saved for retirement have the security and confidence they deserve. Ever aware that federal overreach is one of the biggest hurdles to economic growth and individual freedom, the Committee will remain vigilant in its oversight of federal programs and agencies under its jurisdiction.

The Committee recognizes the historic opportunity presented by long-overdue economic growth for American families, students, workers, and employers, and it will pursue policies that benefit individuals first and foremost.

EDUCATION PRIORITIES

With more than six million unfilled jobs and more than a trillion dollars in student debt, American families cannot sustain the status quo in federal education policy. They are the reason the Committee is pursuing a reform agenda for the issues within its jurisdiction.

Following its record of success in empowering parents and local leaders to ensure K-12 education serves the needs of communities, the Committee is now working to change the way Americans view and pursue postsecondary education options. Improving access, completion, and innovation to promote better awareness of options for skills-based education as well as earn-and-learn opportunities are the principles guiding the Committee's legislative and oversight work.

The Committee respectfully offers the following recommendations for consideration by the Committee on the Budget (Budget Committee) as it prepares its FY 2019 Budget Resolution.

Expanding College Access and Promoting College Affordability

Reforming the Higher Education Act

For over 50 years, the federal government has supported students' abilities to select the colleges or universities that best suit their postsecondary education needs. The diversity of educational programs offered by the more than 6,000 higher education institutions participating in federal student aid programs is vital to the strength of the nation's economy.

According to the National Center for Education Statistics, contemporary students (those beyond the traditional 18- to 21-year-old high school graduate) now make up the majority of students enrolled in our nation's colleges and universities. Additionally, these students, along with their traditional college-aged counterparts, are more aware of the growing cost of college and the consequences of excessive student loan debt.

The Committee reported H.R. 4508, the *Promoting Real Opportunity, Success, and Prosperity through Education Reform Act* (PROSPER Act), to ensure the *Higher Education Act* (HEA) provides institutions the flexibility necessary to adapt to changing student demographics and assist students and families as they make their postsecondary education decisions. The bill supports students in completing an affordable postsecondary education that will prepare them to enter the workforce with the skills they need for lifelong success. The PROSPER Act promotes innovation, access, and completion; simplifies and improves student aid; empowers students and families to make informed decisions; ensures strong accountability for the use of taxpayer dollars; and limits the federal role in higher education.

Simplifying Federal Student Aid Programs

The Committee's proposal simplifies, streamlines, and improves federal student aid programs to better assist students and families in navigating their options for financing postsecondary education. With the five loans, numerous grants, nine repayment plans, and 32 different deferment and forbearance options found in current law, many students—particularly first-generation and low-income students—are bogged down by the complexity of the current system, which ultimately deters them from accessing aid that will make college an affordable reality. The previous administration created through regulation a complicated maze of new repayment plans. For instance, borrowers seeking loan forgiveness today must have a specific type of loan, be employed by a particular set of industries, fill out complex legal forms, and jump through other hoops in order to receive the chance of receiving loan forgiveness. Ultimately, this means the federal government does not treat all borrowers equally.

The reforms in the PROSPER Act streamline the aid programs and the overwhelming number of repayment plans, giving every borrower the same deal. Under the proposed income-based repayment plan, every borrower will have his or her loan balance capped at the principal balance plus 10 years' worth of interest. By providing clear and consistent terms for new borrowers, the PROSPER Act will give students the tools necessary to responsibly finance their postsecondary education endeavors. The legislation also enhances student financial aid counseling so students and families better understand the financial commitments they are making and their options for repayment. The Committee urges the Budget Committee to support these efforts.

Promoting College Accessibility and Affordability

College costs have risen significantly in the last decade. Since the 2007-08 academic year, average tuition and fees have increased by almost 37 percent at four-year public institutions and by more than 26 percent at four-year private nonprofit institutions.[1] While a number of factors are driving this unsustainable trend, the federal government has made the problem worse by burdening institutions and states with an increasing amount of red tape. This is why more needs to be done to ensure students and families have the information necessary to make informed decisions about which institution to attend and how to pay for a postsecondary education.

A. Providing Better Information to Students and Families

The federal government plays an important role in ensuring students and families have access to the information necessary to choose the college or university that meets their unique needs. Unfortunately, the amount of information institutions of higher education are required to disclose to the public and report to the Department of Education has grown exponentially over the last decade, with limited evidence of its value. Additionally, current federal regulations require institutions of higher education to disclose information using different methodologies, creating fractured and confusing data. Rather than simplify and streamline information for students, the previous administration made it more complicated and confusing for students to get the information they need to make informed decisions about their college education.

The Committee believes the federal government should streamline higher education data collection requirements to reduce confusion for students and curb compliance costs for institutions. The PROSPER Act evaluates all available consumer information to highlight the most useful, while eliminating data requirements that are unnecessary, unhelpful, or overly burdensome for institutions to collect. For the first time, the PROSPER Act also makes data available at the program level—recognizing there are increasing numbers of students seeking a postsecondary education who care more about the programs offered rather than the institution as a whole. This new data, which is being put forward while still protecting students' privacy, will help students better understand the earnings potential of programs and assist them in thinking through their ultimate debt burden as a result of the potential earnings. The Committee supports increased transparency but does not believe the federal government should layer on more information requirements without removing other pieces that may not be as useful.

B. Eliminating Burdensome Red Tape

The Obama administration churned out several packages of regulations, including state authorization, gainful employment, and borrower defense to repayment, with little regard for the true implications and costs for students and higher education institutions. Rather than continuing to push these burdensome and inflexible regulations, the Committee urges the Budget Committee to follow the Committee's lead in rejecting these efforts as laid out by the PROSPER Act. The

[1] https://trends.collegeboard.org/sites/default/files/2017-trends-in-college-pricing_1.pdf

current administration has begun to reexamine these harmful regulations, and the Committee urges it to support the reforms included in the PROSPER Act and continue to work with Congress to strengthen higher education as the HEA reform process moves forward.

Putting Pell Grants on a Path to Stability

The Pell Grant program is the cornerstone of federal student aid for low-income students and the single largest source of postsecondary student aid, providing aid to approximately 7.5 million students in FY 2017.[2] The Committee recognizes the important role this program plays in providing access to postsecondary education for low-income students. However, in recent years the program has experienced tremendous growth in cost, almost tripling from $12.8 billion[3] in 2006 to $35.7 billion in 2010.[4] The rapid growth of the program was caused by the economic downturn that led to increased student enrollment, expanded eligibility, and increased maximum awards.[5] Program costs have since dropped to $28.5 billion in FY 2017,[6] leading to a current cumulative surplus of $8.6 billion.[7] But, this surplus is expected to diminish as program costs are projected to rise.[8]

Adding to the cost of the Pell Grant program is the fact that the majority of full-time students do not graduate on time. Today, the traditional "four-year" degree is more often a five- or even six-year degree for a majority of students. This means that rather than completing on time using only four years' worth of a Pell Grant, Pell-eligible students are using the grant for a fifth and sixth year of undergraduate education, which costs federal taxpayers approximately an additional $6,000 per student eligible for the maximum award per year.

The PROSPER Act reauthorizes the Pell Grant program through FY 2024, with key reforms to ensure the program remains available to future generations. The Committee believes that not extending the annual inflationary increases to the mandatory portion of the Pell Grant will put the program on a sustainable path for the future. Additionally, the PROSPER Act requires the Secretary of Education (Secretary) to report annually to the authorizing committees on the cost of the Pell Grant program to better ensure Congress is aware of any growth in cost of the program in a timely manner. The PROSPER Act also encourages Pell-eligible students to complete on-time and with less debt by offering a $300 bonus per award year to students enrolling in a greater than full-time workload that will lead to the completion of 30 or more credits or the equivalent coursework for the award year. The Committee urges the Budget Committee to pursue reforms included in the PROSPER Act to balance the financial assistance needs of college students with the desire to put the Pell Grant program back on the path to long-

[2] *Pell Grant Program, Discretionary: Cumulative Shortfall/Surplus - CBO's June 2017 Baseline*, Congressional Bndget Office (June 2017), https://www.cbo.gov/sites/default/files/recurringdata/51304-2017-06-pellgrant.pdf.
[3] *Student Financial Assistance Fiscal Year 2014 Budget Request*, Department of Education, https://www2.ed.gov/about/overview/budget/budget14/justifications/q-sfa.pdf.
[4] *Student Financial Assistance Fiscal Year 2018 Budget Request*, Department of Education, https://www2.ed.gov/about/overview/budget/budget18/justifications/o-sfa.pdf
[5] *The Federal Pell Grant Program: Recent Growth and Policy* Options, Congressional Budget Office (September 2013), https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/reports/44448_PellGrants_onecolumn.pdf
[6] Congressional Budget Office, *supra* note 2.
[7] Id.
[8] Calculation based on CBO June 2017 baseline and current level appropriations going forward.

term fiscal stability, thereby helping millions of low-income students pursue the dream of a postsecondary education.

Assessing the True Taxpayer Costs of Student Loans

The Committee believes budget gimmicks have masked the true cost of federal student loan programs for decades. The Congressional Budget Office (CBO) recommends moving from budgetary estimate constructs under the *Federal Credit Reform Act of 1990* (FCRA) to fair-value scoring to more accurately account for the cost of federal credit programs.[9] Fair-value scoring incorporates market risk, providing a more accurate and fiscally responsible way to account for liabilities hardworking taxpayers face through programs like the Federal Direct Loan program. The Committee commends the Budget Committee for House passage of H.R. 1872, *Budget and Accounting Transparency Act*, in the 113th Congress and encourages the Budget Committee to consider similar legislation in the 115th Congress.

CBO's June 2017 baseline for the student loan program also compares the estimated budgetary costs of all of the student loan programs under the FCRA to fair-value scoring. On a FCRA basis, four out of the five Direct Loan programs would yield *savings* and subsidized Stafford loans to undergraduates would be a cost to the government. Yet, on a fair-value basis, four out of the five Direct Loan programs would be a *cost* and parent PLUS loans would still produce savings under fair-value scoring.

Enabling the Committee to utilize a more accurate estimate of the federal government's costs associated with the student loan programs will ensure reforms of the law make sense for students, families, and taxpayers. The Committee appreciates that the *Concurrent Resolution on the Budget for Fiscal Year 2018* provides the option to use this more accurate fair-value estimate in the House of Representatives. However, by not providing a similar option in the Senate, the Committee must use the FCRA estimate for consistency. The Committee urges the Budget Committee to work with the Senate Budget Committee to extend the option of using the more accurate fair-value estimate to the Senate.

Bipartisan Budget Act of 2018 and Higher Education Priorities

As part of enacting the *Bipartisan Budget Act of 2018,* congressional leaders agreed to spend $2 billion per year in both FY 2018 and FY 2019, for a total of $4 billion, for student-centered programs that aid college completion and affordability, including those that help police officers, teachers and firefighters. The Committee will work with the Appropriations Committee to ensure these additional resources are used in a responsible way that does not undermine the future fiscal stability of the student financial aid programs.

Enhancing Career and Technical Education

The Bureau of Labor Statistics recently reported more than 2.2 million Americans between the ages of 16 and 24 are looking for jobs. Meanwhile, industries critical to our economy have jobs

[9] Should Fair-Value Accounting Be Used to Measure the Cost of Federal Credit Programs?, Congressional Budget Office, March 25, 2012.

to fill and not enough qualified applicants to fill them. The Committee believes improving the *Carl D. Perkins Career and Technical Education Act* can better prepare high school and community college students to compete in a global economy.

Last year, the Committee led a bipartisan effort to reform this important law and unanimously approved the *Strengthening Career and Technical Education for the 21st Century Act* (H.R. 2353) introduced by Rep. Glenn Thompson (R-PA). The bill empowers state and local community leaders, improves program alignment with in-demand jobs, increases transparency and accountability, and ensures a limited federal role. Unfortunately, despite the overwhelming bipartisan support the bill received when it passed the House, the bill has yet to be considered in the Senate. The Committee remains committed to enacting these much needed reforms in the second session of this Congress. To help achieve this goal, the Committee urges the Budget Committee to support efforts to provide states with the flexibility needed to implement innovative programs and ensure students and employer needs are met through the reauthorization of the *Carl D. Perkins Career and Technical Education Act*.

Promoting State and Local Education Reform

Implementing the Every Student Succeeds Act

Across the country, state and local leaders are promoting innovative solutions to raise achievement and foster school and teacher accountability to ensure students have the knowledge and skills they need to graduate high school and succeed in life. That is why House Republicans led the effort to replace the *No Child Left Behind Act*. The *Every Student Succeeds Act*, signed into law in December 2015, reforms K-12 education to reduce the federal role, restore local control, and empower parents. The Committee applauds the current administration for its continued commitment to implementation consistent with the law. As the administration continues to evaluate and approve state plans for carrying out key provisions of the law, the Committee will work with it as it concludes that process.

Most importantly, the law includes responsible funding authorizations for elementary and secondary education programs. The law focuses the federal role in education on supporting long-standing efforts designed to improve student achievement and teacher effectiveness. The law consolidated several previously authorized programs into the Student Support and Academic Enrichment Grants (SSAEG) program and other broad funding streams. The SSAEG in particular is a flexible grant program that provides states and school districts more authority in how taxpayer dollars are spent. The program includes a wide range of activities that school districts may use this funding to cover, including mental health services for students, professional development for school personnel in crisis management and school-based violence prevention strategies, advanced coursework, and technology. School districts know best the needs of their communities, and resource flexibility is critical to meeting the needs of students and keeping communities safe. The Committee urges the Budget Committee to incorporate into the FY 2019 Budget Resolution the important reforms made by the *Every Student Succeeds Act* and urges the Appropriations Committee to fund the law as it is written.

Making Special Education a Priority

In 1975, Congress passed the *Individuals with Disabilities Education Act* (IDEA) in part to help states with the cost of educating students with disabilities. Congress has covered up to 18 percent of the national average per-pupil expenditure in the past. However, the percentage has decreased in recent years.

The Committee recognizes current budgetary constraints require tough choices in the funding of education programs. However, the failure to appropriately fund IDEA only exacerbates ongoing budget challenges at the state and local levels. Funds that could support important state and local priorities are instead used to fill the gap in special education funding.

Some argue converting IDEA funding into yet another mandatory spending program is the answer. However, with the nation's debt being driven by explosive growth in entitlement spending, now is not the time to add to the burden facing future generations. Additionally, entitlement programs are difficult to improve and reform, meaning converting IDEA into an entitlement program would make it nearly impossible for parents, educators, and policymakers to update the law to ensure it is continually meeting the needs of students, families, and communities.

Supporting Parental Choice, Including the Successful D.C. Opportunity Scholarship Program

The Committee continues to support expanded school choice options that allow parents to select the best school for their children. The D.C. Opportunity Scholarship program, created a decade ago, has allowed thousands of students in the District of Columbia to attend private schools of their choice. If not for this critical program, almost all of the students who receive these scholarships (1,653 students this academic year) would otherwise be forced to attend some of the District of Columbia's lowest-performing schools. The program was reauthorized for three years as part of H.R. 244, the *Consolidated Appropriations Act, 2017*. The Committee urges the Budget Committee to support funding for the D.C. Opportunity Scholarship program to help families in the District of Columbia access high-quality education options for their children.

In addition, the Committee is eager to work with the Trump administration to give parents more freedom to make the right educational choices for their children. School choice programs around the country take multiple forms, and the Committee will work with the administration and other committees to explore ways to assist states in creating or expanding choice programs.

Improving Early Childhood Care and Edncation Programs

Since 1935, the federal government has funded early childhood care and education programs to promote healthy development of vulnerable children, as well as help parents participate in the workforce or further their education. The first five years of a child's life are critical to developing the foundation for success later in school and throughout life. Early childhood environments, whether at home or in an outside care arrangement, play an important role in the healthy growth of children. Since the "War on Poverty," the number of federal programs providing support services to young children has exploded to 44 separate programs at a cost of more than $15 billion a year.[10] Simultaneously, states have become increasingly involved and are leading the way when it comes to addressing the needs of families and local communities. In 1980, just four states offered early education programs,[11] compared to 44 states and the District of Columbia that operate early education programs today. Unfortunately, rather than improve existing services and offer better options for low-income children and families, the Obama administration focused on creating new early education programs with strict federal requirements. This approach is a disservice not only to children and families who have unique needs and must have the ability to easily find important services but also to American taxpayers who are required to pay for duplicative and often inefficient programs. Recognizing the very real fiscal challenges facing the country and the very real needs of low-income families, policymakers have a responsibility to examine and reform or eliminate existing programs before creating new ones.

Child Care and Development Block Grant

Created in 1990, the *Child Care and Development Block Grant* (CCDBG) is the primary federal funding stream that provides financial assistance to pay for child care for low-income, working families with children under age 13. In 1996, as part of the *Personal Responsibility and Work Opportunity Reconciliation Act*, commonly known as "welfare reform," CCDBG was consolidated with other federal child care programs and funding was increased to serve both low-income, working families and families attempting to transition off welfare through work. The program has dual goals of promoting families' economic self-sufficiency by making child care more affordable and fostering healthy child development by improving the quality of child care.

The *Child Care and Development Block Grant Act of 2014* was signed into law on November 19, 2014, reauthorizing CCDBG for the first time since 1996. The reauthorization updates and streamlines services, improves safety for children, and increases transparency to make it easier for providers and parents to understand their options.

In general, the Committee looks forward to strengthening this essential support for working parents who are looking to move their families out of the welfare system. We look forward to working with the Trump administration to maintain the program's voucher-based approach, continue state flexibility, and focus on working parents.

The recent budget agreement, the *Bipartisan Budget Act of* 2018, includes an agreement to increase discretionary spending for CCDBG by $2.9 billion per year in both FY 2018 and FY 2019, for a total of $5.8 billion—effectively doubling discretionary funding for the program. The Committee has heard concerns from some in the field about the capacity of the system to receive the influx of children, as well as what might happen in two years when the federal funding runs out. Adding more money to the system will help more working families have access to child care, but it could also have unintended consequences if the funding is not targeted responsibly.

[10] Agencies Have Helped Address Fragmentation and Overlap through Improved Coordination, GAO-17-463, U.S. Government Accountability Office, July, 2017.

[11] Cascio, Elizabeth, and Diane Whitmore Schanzenbach, Promoting Early Childhood Development, Proposal 1: Expanding Preschool Access for Disadvantaged Children, The Hamilton Project, June 19, 2014.

Funding more access to child care is a noble goal, but parents need to know their child will be in a safe and developmentally appropriate setting—otherwise, this funding does more harm than good. Additionally, states are still not fully compliant with the 2014 reauthorization, and funding could go a long way to support quality improvements to ensure lasting change. The Committee will work with the Appropriations Committee to ensure this funding is allocated in a way that supports meaningful, lasting improvements in the child care system.

Head Start

Federal taxpayers spend over $9 billion a year on Head Start. The Department of Health and Human Services (HHS) provides Head Start grants directly to organizations, school districts, and other community-based entities to promote school readiness in low-income children from birth to age five. Unfortunately, not all Head Start programs provide lasting gains. A 2010 Head Start Impact Study conducted by HHS showed the program had little to no success improving children's cognitive, social-emotional, or "health measures," as well as little to no success improving parenting practices.[12] The study also showed any benefits that may have accrued while a child participated in the program had dissipated by the time the child reached first grade.[13] A follow-up to the Impact Study released in December 2012 found similar results— the few gains were seldom present by the end of third grade.[14]

Committed to meeting the needs of vulnerable children and families while also balancing the interests of taxpayers, the Committee has outlined the following principles for reforming Head Start: reducing unnecessary regulatory burdens, encouraging local innovation, strengthening coordination between Head Start and programs at the state and local levels; improving the quality of eligible providers; and enhancing parental engagement to support their children's best interests.

In the same vein, the Committee is concerned with the Obama administration's 2016 regulations updating Head Start Performance Standards. Collectively, the regulations are an all-encompassing overhaul that significantly increases cost, limits program design and flexibility, and challenges the ability of programs to meet needs in diverse communities. Perhaps most concerning, these provisions could lead to a significant reduction in children served and teacher jobs as programs are forced to absorb over $1 billion in new costs.[15] The Committee commends the current administration for providing flexibility in implementing some of these misguided changes. The Committee plans to continue working with HHS to pursue lasting reforms to the Head Start program, including reinstating flexibility for local programs.

Preschool Development Grants

In 2014, the Obama administration created a new, unauthorized preschool development grant program. In FY 2016, the Obama administration requested $750 million for the preschool

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[12] https://www.acf.hhs.gov/sites/default/files/opre/hs_impact_study_final.pdf
[13] Ibid.
[14] https://www.acf.hhs.gov/sites/default/files/opre/head_start_report.pdf
[15] The estimated cost borne to Head Start to extend the duration is over $1.1 billion when fully implemented. Federal Register, Vol. 81. No 172. September 6, 2016. Page 61381. Accessed At: https://www.gpo.gov/fdsys/pkg/FR-2016-09-06/pdf/2016-19748.pdf

development grant program, as well as $75 billion (over 10 years) for the "Preschool for All" initiative. The preschool development grant program was provided $250 million annually for FY 2014 through FY 2016, with the funds disbursed through the Department of Education.

The *Every Student Succeeds Act* included a stand-alone authorization for a revamped preschool development grant program that differs in a number of important ways from its predecessor. Foremost, Congress tasked HHS with implementation, in consultation with the Department of Education, rather than continuing the Department of Education's lead role. The program now addresses existing duplication and fragmentation; promotes an integrated mixed delivery system among local agencies, private and public organizations, and faith-based providers; and provides governors discretion to determine grant recipients in their states rather than the federal government steering funds only to state departments of education. With the reformed preschool development grant program, Congress recognizes the leading role of state and local leaders in delivering high-quality early childhood education. To further this goal, the Committee urges the Budget Committee to fund the program through HHS as authorized in *Every Student Succeeds Act*.

Ensuring High-Quality Child Nutrition

Programs under the *Child Nutrition Act* and the *Richard B. Russell National School Lunch Act* are designed to combat hunger and poor nutrition among low-income children and families. According to the Congressional Research Service, federally-supported nutrition programs reach daily more than 40 million children and two million lower-income expectant and new mothers.[16] In 2010, Congress passed the *Healthy, Hunger-Free Kids Act*, which empowered the federal government to micromanage school lunches, breakfasts, suppers, snacks, and other food sold on school campuses.

The Committee believes the Obama administration's Department of Agriculture's (USDA) enacted implementation regulations that are overly burdensome and costly for states and schools. GAO released a report in 2014 that highlighted the challenges elementary and secondary schools face implementing the new regulations.[17] The report found that student participation in the programs decreased and that departmental guidance was confusing and too voluminous for schools to follow. The USDA has acknowledged and implemented additional flexibility in certain areas, but more must be done. The Committee will work with the Trump administration to reduce the cost and burden of new federal requirements as it reauthorizes the *Child Nutrition Act* and the *Richard B. Russell National School Lunch Act*. In particular, the Community Eligibility Provision (CEP) allows schools to provide free school meals to all students within the school regardless of the individual student's financial circumstances if the school meets certain criteria. The Committee looks forward to working with the USDA to examine the use of CEP to ensure thresholds and other requirements guarantee limited taxpayer resources are used effectively, while providing support to children most in need. Further, the Committee urges the Budget Committee to provide the Committee flexibility to reauthorize the child nutrition laws in a budget neutral manner.

[16] http://crs.gov/Reports/IF10266?source=search&guid=8cd1d83550eb4aacb71679f91937d5ac&index=0
[17] https://www.gao.gov/products/GAO-14-104

WORKFORCE PRIORITIES

The Committee is on the frontline of many issues facing workers and job creators. Whether the issues relate to health care, worker protections, workplace democracy, retirement planning, workforce development, or employee wages and benefits—it is the Committee's responsibility to ensure those policies are in the best interests of workers, employers, and taxpayers.

A pronounced difference exists between the Obama and Trump administrations and their prescriptions to grow the economy. By reducing government burdens, taxes, and regulatory costs, the current administration has empowered employers to decide how best to expand their businesses, invest in equipment, and hire workers. These policies are yielding positive results for America's economy as more Americans are now entering the workforce, and the economy has added over 1.9 million jobs since February 2017.

However, despite significant improvements in the economy over the past year, challenges still remain for workers and employers. There are still nearly 6.7 million individuals out of work. The number of long-term unemployed also remained essentially unchanged at approximately 1.4 million. By 2022, the United States will not have the necessary workers with postsecondary education, including a need for 6.8 million workers with bachelor's degrees and 4.3 million workers with a postsecondary vocational certificate, some college credits, or an associate's degree. This means the United States will have a shortage of nearly 11 million workers who have the necessary education to satisfy the needs of the workforce. Now more than ever, effective education and workforce development policies are critical to growing the American economy for the future and closing the skills gap that currently exists.

The Committee respectfully offers the following for consideration by the Committee on the Budget as it prepares its FY 2019 Budget Resolution.

Improving our Nation's Workforce Development System

The Committee is committed to improving the effectiveness and efficiency of the nation's workforce development system by streamlining less effective programs and dedicating limited resources to strategies that work. House Republicans led reform efforts that culminated in the passage of the *Workforce Innovation and Opportunity Act* (WIOA) in the 113th Congress. WIOA integrated employment services at the local level under a unified workforce development system. WIOA streamlined numerous federal workforce development programs to improve assistance for job seekers to strengthen their knowledge and skills. Even with the recent enactment of WIOA, more work remains. The Committee looks forward to working with the current administration to ensure taxpayer dollars are well spent and job seekers and at-risk youth served by the workforce development system receive high-quality services.

Strengthening Workplace Democracy

National Labor Relations Board

The National Labor Relations Board (NLRB or "Board") is an independent federal agency intended to protect the rights of workers, but over the course of the Obama administration, the NLRB handed down many extreme and partisan rulings that harmed American workers and small businesses. Job creation was stifled by the radical policies created by the activist Board. To provide job creators and their employees the regulatory relief they need, the new majority on the Board reversed some of the worst of the Obama-era rulings. The Committee is monitoring several key actions of the NLRB in the first year of the Trump administration.

- **Joint Employer Standard.** For decades, the definition of what it took to constitute a joint employer was straightforward. Two or more employers were required to have "actual, direct, and immediate" control over employees to be considered joint employers. But in 2015, the Obama-era NLRB radically expanded the standard to encompass tenuously tied contractors, small businesses, and franchises, undermining their independence and putting local jobs at risk. The Committee adopted, and the House passed, H.R. 3441, the *Save Local Business Act*, which provides a permanent and important statutory solution to the legal exposure created by the Obama Board's regulatory overreach.

- **Ambush Election Rule.** In 2014 in another hyper-partisan action by the Obama-era Board, the NLRB finalized a rule that drastically changed union election policies. It empowered unions at the expense of employers and employees, shrank the union election time frame from at least 25 days to as few as 11 days, required employers to provide private employee information to union leaders, and generally stripped workers of their rights to make informed decisions about whether to join a union. On December 14, 2017, the NLRB published a Request for Information (RFI) to solicit public comments regarding the ambush election rule, taking the first step toward making rule changes within the NLRB's authority. The Committee will submit its comments in response to this RFI and monitor the Board's decisions as they weigh changing or rescinding the rule.

- **Micro-Unions.** In 2011, the NLRB's decision in *Specialty Healthcare* completely altered the workplace landscape by giving rise to "micro-unions," smaller and unrelated labor union units within a business. The scheme gave union leaders the power to cherry pick employee units and play them against each other to engage employers in constant labor negotiations. On December 15, 2017, the NLRB reversed its *Specialty Healthcare* decision and returned to a standard that permits the Board to evaluate the interest of all employees instead of only individual micro-union units.

While not a well-known federal agency to the public, the NLRB and its policies have a deep impact on workers. During the Obama administration, the Board was the subject of considerable oversight and legislative activity by the Committee. The Committee is encouraged by early steps taken by this Board but will continue to engage in robust oversight and legislative activity, as appropriate. Furthermore, the Committee will explore options to protect the rights of individual workers and create stability for employers under the *National Labor Relations Act,* which has not been substantially amended in 70 years.

Office of Labor-Management Standards

The Department of Labor's (DOL) Office of Labor-Management Standards (OLMS) provides workers with access to transparent information concerning how union leaders manage dues and provide representation. However, during the entirety of the Obama administration, the mission of this important agency was undermined at nearly every turn, beginning with rescinding important union reporting requirements, reducing union compliance audits, and eliminating international compliance audits. The Obama administration decreased the number of OLMS enforcement personnel by almost 33 percent—making it the only DOL agency to lose personnel during the Obama administration. An entire division of OLMS concerned with audits and transparency for large "international" unions was disbanded. Further, union-backed "worker centers" received little to no scrutiny from OLMS under the Obama administration, even though these organizations often act as *de facto* unions.

The Committee is encouraged by the Trump administration's efforts to restore transparency by reintroducing union financial integrity reports and deciding to discontinue the previous administration's attempt to rewrite the so-called "persuader rule." The Committee encourages OLMS to build on that good work by re-establishing international compliance audits and ensuring worker centers are acting transparently and complying with all relevant statutes. The Committee urges the Budget Committee to provide for additional resources for OLMS to help it fulfill its important mission for rank-and-file union members.

Safeguarding Retirement Savings

The Committee is committed to strengthening retirement security by preserving traditional pensions, eliminating burdensome regulations, and providing workers with retirement savings options that meet their needs. In so doing, the Committee continues its support for policies that provide workers with access to strong, voluntary, and portable private sector retirement options. The Committee will closely monitor regulatory proposals, such as possible changes to the "Fiduciary Rule," which imposes new regulatory requirements on retirement advisors, to ensure the proposals do not result in increased costs or reduced options for participants and plan service providers.

The fiscal health and long-term future of traditional pension plans and the stability of the Pension Benefit Guaranty Corporation (PBGC) remain a consistent focus of the Committee. The Committee provides close oversight of the PBGC's finances and management of terminated plans and has engaged with members of both chambers of Congress, the Trump administration, employers, unions, retirees, workers, and other interested stakeholders to work toward fiscally responsible and forward-looking reforms of the multiemployer pension plan system. The recent establishment of the Joint Select Committee on Solvency of Multiemployer Pension Plans, created under the *Bipartisan Budget Act of 2018,* will provide another forum for exploring legislative solutions.

Addressing the Healthcare Needs of Workers and Their Families

The *Affordable Care Act* has failed to live up to its promises to expand access to affordable health insurance for all Americans. The complicated structure of federal subsidies, Medicaid expansion, and new rules governing health insurance markets also place additional mandates and administrative burdens on employers, increasing the cost of insurance coverage and making it more difficult to hire workers and grow businesses. According to a National Federation of Independent Business study, 52 percent of small business employers that do not currently offer coverage cite the cost as the top reason for not offering employees coverage.[18] The Committee will lead the way in advancing policies that give employers of all sizes options for offering affordable coverage to employees and their families.

As the primary committee of jurisdiction over employer-provided health care coverage, the Committee has considered a number of health care bills. Of note, the Committee approved and the House passed H.R. 1101, the *Small Business Health Fairness Act*, to empower small employers to band together through association health plans. The Committee is encouraged by a number of actions taken by the Trump administration to increase the affordable health care options available to consumers, especially for small businesses. One example is President Trump's October 12, 2017, Executive Order to expand access to association health plans, short-term limited duration plans, and health reimbursement arrangements. The Committee looks forward to working alongside the current administration to make association health plans and other practical reforms a reality for small business employees across the country.

Additionally, the Committee plans to continue examining how the opioids epidemic is impacting workplace health and safety and what resources employers are contributing to support employees who are struggling with opioid abuse.

Access to Equal Employment Opportunity

The Committee continues its duty to ensure all workers may utilize equal employment opportunity laws. This work includes the Committee's examination of the Equal Employment Opportunity Commission's (EEOC) implementation and enforcement of Title VII of the *Civil Rights Act of 1964* and the *Equal Pay Act*. The Committee believes policies pursued during the Obama administration caused the EEOC to stray from longstanding and effective enforcement strategies and its statutory duty to conciliate. Instead, it engaged in punitive enforcement, pursued novel legal theories, and increased paperwork burdens on employers. The Committee is encouraged by early actions taken by the Trump administration, including its stay of proposed changes to the EEO-1 form, and the Committee looks forward to the Senate promptly confirming President Trump's two nominees to the EEOC to restore a Republican majority. The Committee will continue its work with the EEOC and other relevant agencies—including DOL's Office of Federal Contract Compliance Programs—to ensure robust policies are in place to combat workplace discrimination and provide equal employment opportunity.

[18] Holly Wade, Small Business's Introduction to the Affordable Care Act Part III, NFIB RESEARCH FOUND. (Nov. 2015), http://www.nfib.com/assets/nfib-aca-study-2015.pdf.

Updating the *Fair Labor Standards Act*

The *Fair Labor Standards Act* (FLSA) is the principal federal law governing wages, hours of work, child labor standards, and recordkeeping requirements for more than 135 million workers in the private sector and in state and local governments Given the broad scope of the FLSA and its deep impact on workers, the Committee is mindful this year is the FLSA's 80-year anniversary and aspects of this law may no longer meet the legal realities or the preferences of workers in the modern economy. As such, the Committee continues its commitment to engage with employers, workers, and other stakeholders to consider how best to update federal wage and hour laws.

The Committee will continue to review DOL's administration of the FLSA. Over the past year the Committee has been encouraged by early actions taken by the Trump administration, including the decision to revoke sub-regulatory Administrator Interpretations related to independent contractors and joint employment. The Committee is further encouraged by the decision to reinstate the Wage and Hour Division's longstanding policy of issuing opinion letters to provide fact-specific legal guidance on wage and hour issues. In the spirit of these positive developments, the Committee is optimistic, but will remain watchful over DOL's efforts to revise the overtime standards under the FLSA. The Committee will continue working to ensure any updates to the overtime standards reflect a responsible approach, taking into account the impact of such changes on workers, small businesses, nonprofit organizations, and institutions of higher education.

Updating Workers' Compensation Programs

The Committee recognizes many workers' compensation laws have operated for decades without substantial updates. Indeed, the *Federal Employees' Compensation Act*, the *Longshore and Harbor Workers' Compensation Act*, the *Black Lung Benefits Act*, and the *Energy Employees Occupational Compensation Program Act* each provide benefits to different populations of workers, and each present various challenges in terms of efficient program operation. Therefore, the Committee has engaged with both the Obama and Trump administrations, stakeholders, and GAO to receive guidance and determine possible revisions to these laws, and the Committee has continued its oversight efforts to ensure these laws are carried out properly. In 2018, the Committee will continue its work to ensure these laws will properly benefit injured employees and their families.

Protecting Workers' Safety and Health

The Committee strongly supports policies to ensure workers can do their jobs under safe and healthful conditions. In so doing, the Committee promotes policies that combine proactive safety programs, compliance assistance, and enforcement of workplace safety laws. The Committee will continue its oversight of workplace safety agencies and their enforcement and regulatory proposals to ensure a proper balance between protecting worker safety and health and allowing job growth and opportunity to flourish.

Occupational Safety and Health Administration

The Occupational Safety and Health Administration (OSHA) enforces laws ensuring safe and healthful conditions in the workplace. OSHA's coverage extends to more than eight million workplaces employing approximately 130 million workers. During the Obama administration, OSHA frequently used the tactic of publically shaming employers and adopted an overreaching enforcement approach to prevent workplace injuries and illnesses. The Committee strongly disagreed with this approach and is encouraged by the Trump administration's move toward greater emphasis on compliance assistance. With regard to OSHA's current rulemaking efforts, the Committee is closely monitoring OSHA's efforts to revise its regulation on recording and reporting of occupational injuries and illnesses. In addition, in 2018, the Committee will monitor OSHA to ensure consistency in its enforcement actions across its ten regions and among its entire staff of compliance officers.

Mine Safety and Health Administration

The mining industry provides important natural resources that America's economy, homes, and businesses need, and workers in this essential industry should have a safe and healthful workplace. The Mine Safety and Health Administration (MSHA) is responsible for the safety and health of mine workers through its administration and enforcement of the *Federal Mine Safety and Health Act of 1977*, as amended by the *Mine Improvement and New Emergency Response Act of 2006*. As MSHA examines how best to promote safe and healthful workplaces, it is important the agency commit to working with all stakeholders to implement responsible, commonsense policies that protect workers. The Committee will continue to engage with stakeholders and the Trump administration to encourage MSHA to adopt a collaborative approach by emphasizing compliance assistance, outreach to stakeholders, and innovative and effective worker safety programs.

Examining the Sharing Economy

The Committee continues to take a leadership role in Congress as it examines new advancements in our economy and their impact on workers. One such example is the "sharing economy," a term that broadly describes transactions involving internet application-based "platforms" that connect individuals seeking a good or service with a supplier. This growing form of work has improved the American quality of life, fostered entrepreneurship, expanded consumer choice, and created flexible work opportunities. For example, according to the Internet Association, approximately 3.2 million people earn income through sharing economy services, 79 percent of which perform services on a part-time basis. The Internet Association further estimates that by 2020, 7.6 million people are expected to provide services through the sharing economy.[19]

Recognizing the potential of the sharing economy has broad implications for job opportunity and economic growth, the Committee will continue to engage with stakeholders, analyze data related to workers in the sharing economy, and examine legislative proposals. Possible reforms the Committee will pursue include expanding workplace flexibility, clarifying the employment

[19] Internet Assoc., https://cdn1.internetassociation.org/wp-content/uploads/2016/03/SharingEcon2Pager5.pdf.

status of sharing economy workers, and expanding access to portable health care and retirement benefits.

Minority Views – Bndget Views and Estimates for Fiscal Year 2019
Committee on Education and the Workforce
115th Congress, Second Session
March 2, 2018

The House Committee on Education and the Workforce Democrats are pleased to submit our Minority Views and Estimates on the Fiscal Year 2019 budget. To finance $1.5 trillion in tax cuts that largely benefit mostly the wealthiest Americans and corporations, the Trump Administration's FY19 budget proposal disinvests in education, slashes support for individuals with disabilities, undermines the workforce and their health care, and does nothing to create good-paying jobs. Committee Democrats urge the Majority to reject this approach and instead advance a budget that values child care and quality early learning programs, robust opportunities for education and training, good-paying jobs, safe workplaces, strong civil rights enforcement, affordable health care, and a secure and dignified retirement. Additionally, the failure of the Republican-led Congress to resolve the FY18 appropriations process has resulted in five continuing resolutions and two government shut-downs. This ineffective governance limits the planning and operation of Federal agencies to carry out key programmatic functions to provide for the "general welfare" of the American public.[1] Committee Democrats urge the Majority to break this cycle of dysfunction and work in a bipartisan manner to responsibly address pressing issues confronting our country.

EDUCATION: The Administration proposes $63.1 billion in discretionary spending for FY19, a decrease of $3.8 billion, or 5.6%, from the FY17 enacted level.[2]

Early Childhood Education. The FY 2014-2015 and FY 2016-2017 bipartisan budget agreements recognized the importance of quality early care and education for children from low-income families by increasing funding for preschool, child care, and voluntary home visitation programs, as well as by investing in Preschool Development Grants (PDGs) and expanding Early Head Start-Child Care Partnerships. However, the Administration's proposed FY19 Department of Health and Human Services (HHS) budget request ignores the bipartisan budget agreements and denies critical program support to ensure that all of our youngest learners start kindergarten ready to succeed.

- ***Preschool Development Grant Program (PDG):*** The Administration proposes PDG program elimination, which was funded at $250 million in FY17. Committee Democrats support the restoration of the $250 million for PDGs so that additional states may receive grants to create or expand high-quality early learning opportunities.

- ***Head Start:*** Currently, less than 5% of children eligible for Early Head Start are able to enroll due to limited funding.[3] The Administration's FY19 budget proposes a nominal increase of $9.275 billion for Head Start, or merely 0.2% from the FY17 enacted level. This amount is not sufficient to provide a cost of living adjustment for grantees or the

[1] Article I, Section 8 of the United States Constitution
[2] Since the approval of the fifth continuing resolution on February 9, 2018, the Administration modified their proposed budget (originally a decrease of $7.1 billion, or more than 10%) to add back $3.3 billion, allocated amongst the Administration's top priorities.
[3] Center for Law and Social Policy, *Disparate Access Head Start and CCDBG Data by Race and Ethnicity*, February 2016, https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/Disparate-Access.pdf.

quality improvement funds needed to ensure that all providers can operate full-day, full-year by 2022 as required under law. Committee Democrats support significant increases for Head Start and Early Head Start in order to support full-day, full-year Head Start programs and increase enrollment of infants and toddlers. Democrats urged appropriators to enact at least $10 billion in Head Start and Early Head Start funding for FY18, which would be approximately $750 million above the FY17 enacted level.

- ***Child Care:*** Currently, only one in six children eligible for the Child Care and Development Block Grant (CCDBG) is able to receive services because of funding shortages.[4] Although the Administration proposes $3 billion, or $150 million above the FY17 enacted level for CCDBG, it also proposes cuts to Temporary Assistance for Needy Families (TANF) and elimination of the Social Services Block Grant, both of which transfer funding into states' CCDBG programs. Committee Democrats oppose this budget gimmick since it would have the effect of erasing the impact of any additional CCDBG funds and would result in less Federal funding available for child care.

K-12 Education. Today's global, information-driven economy demands a high-quality developmental K-12 education system if the U.S. is to maintain its standing in the global economy. More than half of the approximately 50 million students enrolled in public schools come from low-income households,[5] making Federal funding to support state and local investment critical. In the 114th Congress, Committee Democrats pressed for the passage of a bipartisan effort to reauthorize the Elementary and Secondary Education Act (ESEA) our nation's primary K-12 education law – the Every Student Succeeds Act (ESSA) (P.L. 114-95). However, Congress continually fails to adequately fund programs to ensure that our children graduate with the knowledge and skills needed for college and career, jeopardizing educational opportunity for millions of students. The proposed FY19 budget guts vital Federal investment in education programs, including the elimination of seventeen K-12 programs totaling $4.4 billion, including priority programs such as Title II-A to support teacher professional development, Title IV-B for afterschool programs, Title IV-A to provide student support and academic enrichment grants, and Promise Neighborhoods. Democrats oppose all proposed cuts to ESEA programs and urge significantly increased investment, commensurate with increasing enrollment and student poverty levels nationwide.

- ***Private School Vouchers:*** The Administration proposes $1 billion for a new Opportunity Grants program, for which there is no current budget authority. Committee Democrats oppose any effort by Congressional Republicans or the Trump Administration to use the FY19 budget and appropriations process to divert public funds to unaccountable private schools that are free to discriminate against student and parents. Committee Democrats support public funds for public schools.

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[4] National Women's Law Center, *Child Care for All Families that Need It*, February 2017, https://nwlc.org/wp-content/uploads/2017/02/Child-Care-For-All-Families-That-Need-It.pdf.

[5] Southern Education Foundation, *A New Majority Low Income Students Now a Majority in the Nation's Public Schools*, January 2015, http://www.southerneducation.org/getattachment/4ac62e27-5260-47a5-9d02-14896ec3a531/A-New-Majority-2015-Update-Low-Income-Students-Now.aspx.

- ***Title I-A:*** The Administration proposes $15.4 billion for FY19, an amount equal to the enacted FY17 level, for Title I-A grants to support low-income and other at risk children. The proposed level fails to account for inflationary adjustments necessary to maintain state and local educational agency allocations. The Administration also proposes increasing the Title I-A state-level direct student services reservation from 3% to 5%. Committee Democrats oppose this proposed change because it would likely result in public funding to for-profit companies, in combination with the inadequate funding level, it would result in cuts to Title I-A grants for school districts.

- ***Title II-A:*** The Administration proposes program elimination for FY19, which was funded at $2.1 billion in FY17. Title II-A support professional development and support for educators. Committee Democrats oppose this proposed program elimination.

- ***Title III:*** The Administration proposes $737 million for FY19, an amount equal to the enacted FY17 level that fails to account for inflationary adjustments. Title III funding supports ESSA's goal to help meet the unique needs of English learners. Committee Democrats oppose the proposed level because it would result in decreased Title III grants for school districts.

- ***Title IV-A:*** The Administration proposes program elimination for FY19, despite the bipartisan program authorization level of more than $1.6 billion. Committee Democrats urge full funding of the newly-authorized Title IV-A, the Student Success and Academic Enrichment grant program, in order to provide access to critical supports to ensure that students are safe, healthy, and have access to a well-rounded educational experience.

- ***21st Century Community Learning Centers:*** The Administration proposes program elimination for FY19. In FY17, the 21st Century Community Learning Centers program received $1.2 billion. This program supports before-school, after-school, and summer school programs that provide academic enrichment opportunities for nearly 2 million students. Committee Democrats oppose the proposed program elimination.

- ***Charter School Program(CSP):*** The Administration's FY19 budget proposes $500 million for the Charter School Program, a 46% increase above the FY 17 enacted level, and an amount 67% above the authorized level for FY17. Committee Democrats oppose this proposed funding level for CSP due to the Administration's lack of funding increases for ESEA Titles I-A and III; proposed elimination of ESEA Titles II-A, IV-A, and IV-B; and lack of commensurate increase in the funding level for the Magnet Schools Assistance Program.

- ***Magnet School Assistance Program***: The Administration's FY19 budget proposes $98 million for the Magnet Schools Assistance Program, an amount equal to the enacted FY17 level. Committee Democrats support the creation and expansion of quality magnet schools as a means of public school choice that reduces racial and socioeconomic segregation and urge an increase in funding commensurate to the proposed funding increase for the Charter School Program.

- ***Impact Aid:*** The Administration proposes a $69 million cut for FY19, a 5% decrease below the enacted FY17 level. The Impact Aid program provides necessary Federal support to school districts serving Federally connected children, such as military children. Committee Democrats oppose this proposed funding cut.

- ***School Infrastructure:*** Committee Democrats note the absence of Federal funds to support school modernization and infrastructure needs in the Administration's FY19 budget proposal. Democrats support $100 billion for public schools in FY19 as part of any Federal investment in national infrastructure.

Career and Technical Education (CTE). The Administration's FY19 budget requests $1.14 billion for career and technical education (CTE), a 2% increase above the enacted FY17 level. While Committee Democrats commend any increase in funding for CTE programs, the increase should not be at the expense of other educational pathways. Students must have access to a variety of pathways that may include higher education or a post-secondary credential in the workforce. CTE provides students opportunities for college and career, thus it should not be funded at the expense of Federal support for students entering higher education or by cuts to programs that help vulnerable populations succeed post-high school.

Higher Education. Despite improvements in high school graduation and college enrollment rates for low-income and minority students,[6] college remains out of reach for too many students. The cost of a quality postsecondary degree has skyrocketed,[7] leaving millions more reliant than ever before on Federal student aid. Despite this sobering reality and defying logic, the Administration's FY19 budget would make college more expensive for students and families.

- ***Pell Grants***: The Administration proposes $22.475 billion for the Federal Pell Grant Program, an amount equal to FY17 enacted funding. This amount is reflective of no increase in the maximum Pell Grant, which in 2016-17 covered just 29% of the average cost of attendance at a public four-year university. The Administration instead proposes legislative authority to make Pell Grants eligible to fund "high-quality short-term programs". This language mirrors the Committee Republicans' proposal to expand Pell to short-term certificate programs in H.R. 4508, a bill to reauthorize the Higher Education Act. Committee Democrats oppose this, believing any expansion of Pell into short-term programs must be accompanied by both increased investment in the program, and strong quality benchmarks to ensure these programs meet the needs of students and employers.

[6] National Center for Education Statistics, *Percentage of recent high school completers enrolled in college, by income level 1975 through 2016* (Table 302.30), https://nces.ed.gov/programs/digest/d17/tables/dt17_302.30.asp; National Center for Education Statistics, *Percentage of recent high school completers enrolled in college, by race/ethnicity 1960 through 2016* (Table 302.20), https://nces.ed.gov/programs/digest/d17/tables/dt17_302.30.asp.

[7] College Board, *Trends in College Pricing, Average Tuition and Fees and Room and Board (Enrollment-Weighted) in Current Dollars and in 2017 Dollars, 1971-72 to 2017-18* (Table 2), https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-and-board-over-time.

- ***Federal Student Loans:*** The Administration's FY19 request proposes several changes to the Federal student loan portfolio that would cut Federal student aid by $203 billion over 10 years, making college more expensive for students and families. Notable changes include proposals to:
    - *Consolidate income-driven repayment (IDR) plans:* IDR plans were created to allow individuals to pay their student loans based on what they can afford. The Administration's proposal would consolidate the existing five IDR plans into one less generous plan that uses a higher discretionary income to calculate a borrower's monthly payment. Committee Democrats oppose the creation of a less generous IDR plan that would eliminate $128.4 billion in mandatory Federal student aid funds over 10 years.
    - *Eliminate Public Service Loan Forgiveness (PSLF):* PSLF encourages college graduates to pursue careers in public service by forgiving remaining student loan balances after 10 years of on-time payments. Democrats oppose this program elimination that would cut $45.9 billion in mandatory student aid funds over 10 years.
    - *Eliminate Subsidized Direct Loans:* Subsidized loans are low-interest student loans that defer interest accumulation on the loan balance until after graduation. More than six million student borrowers receive subsidized loans every year. Democrats oppose the elimination of subsidized loans because it would cut $28.6 billion in mandatory student aid funds over 10 years.
    - *Mandate Use of Fair Value Accounting:* Committee Democrats oppose any proposal from Congressional Republicans or the Trump Administration to mandate the use of the "fair value accounting" method for Federal student loans. Put forth for consideration in the President's Analytical Perspectives document,[8] the fair value accounting approach would misrepresent the cost of the Federal student loan program. Under fair-value accounting, agencies would be required to assume that loan programs incur artificially high costs, ignoring Treasury's ability to borrow at low rates. These exaggerated cost estimates could then easily serve as a pretext for scaling back the loan program. The Office of Management and Budget has long-opposed efforts to use fair value accounting instead of the current approach under the Federal Credit Reform Act. Further, the Government Accountability Office has found that fair value accounting is not an appropriate tool for budgetary purposes.

- ***Campus Based Aid***: The Administration proposes drastic cuts to campus-based aid programs that help low-income students afford college:
    - ***Federal Supplemental Educational Opportunity Grant (FSEOG) Program:*** The Administration proposes the elimination of FSEOG, which was funded at $733 million in FY17. Committee Democrats oppose the elimination of FSEOG because the program provides campus financial aid administrators with a crucial source of grant aid for their neediest students in a world of rising college costs.
    - ***Federal Work Study (FWS):*** The Administration also proposes $500 million for FWS, a nearly 50% cut below the FY17 enacted level of $990 million. The

[8] Budget of the United States Government for Fiscal Year 2019, *Analytical Perspectives*, https://www.whitehouse.gov/wp-content/uploads/2018/02/spec-fy2019.pdf.

Administration projects this would reduce the total number of FWS recipients from 635,000 to 333,000. The Administration also proposes legislative authority to change the statutory formula for the allocation of FWS funds to schools. Committee Democrats oppose the combination of a cut and allocation formula change since together they would result in a direct reduction of FWS jobs available to students, and could make the program unsustainable on many campuses.

  - ***Perkins Loan Program:*** The Administration's budget is silent on the Perkins Loan Program, which without legislative action will fully wind down after this award year. Committee Democrats believe the Perkins Loan Program should be saved as a source of stable, low-cost loans and a tool of financial aid administrators to craft award packages that meet the needs of individual students.

- ***Institutional Aid:*** The Administration request $352.7 million for Institutional Aid programs authorized under Titles III and V of the HEA for FY19, a cut of $234 million from the FY17 enacted level. Additionally, the Administration's proposal requests budget authority for harmful consolidations and program reforms.
  - ***Historically Black Colleges and Universities (HBCUs):*** The budget proposal flat-funds programs supporting Historically Black Colleges and Universities (HBCUs) to the FY17 enacted level ($315.4 million). Committee Democrats oppose this funding level, and recommend an additional $196 million to support HBCUs including:
    - $130.3 million for the Strengthening HBCUs Program;
    - $61.7 million for the Strengthening Historically Black Graduate Institutions Program; and
    - $4 million for the Strengthening HBCU Masters Program.
  - ***Strengthening Institutions Program*:** The Administration proposes elimination of this program, a cut of $86.534 million from the FY17 level. Committee Democrats oppose this cut as it would eliminate the sole Federal source of funding many under-resourced, rural and low-income serving institutions and community colleges have to improve student supports.
  - ***Strengthening Alaska Native and Native Hawaiian-Serving Institutions (ANNH) Program:*** The Administration proposes elimination of this program, a cut of $13.8 million from the FY17 enacted level.
  - ***Strengthening Predominately Black Institutions Program*:** The Administration proposes elimination of this program, a cut of $9.9 million from the FY17 enacted level.
  - ***Strengthening Asian American- and Native American Pacific Islander-serving Institutions Program*:** The Administration proposes elimination of this program, a cut of $3.3 million from the FY17 enacted level.
  - ***Strengthening Native American-Serving Nontribal Institutions Program*:** The Administration proposes elimination of this program, a cut of $3.3 from the FY17 enacted level.
  - ***Developing Hispanic Serving Institutions Program*:** The Administration proposes elimination of this program, a cut of $107.8 million from the FY17 enacted level.

- *Promoting Postbaccalaureate Opportunities for Hispanic Americans Program:* The Administration proposes elimination of this program, a cut of $9.6 from the FY17 enacted level.
- The Administration requests the legislative authority to create a new Consolidated MSI Grant program funded at $147.9 million, roughly the same budget authority of the eliminated MSI-serving programs. Because these various grant programs are designed to meet the differing needs of different MSI sectors, Committee Democrats oppose the elimination of the various MSI serving programs and the creation of a new consolidated program.

- ***TRIO and GEARUP***: The Administration proposes $900 million for TRIO in FY19, an amount equal to the enacted FY17 level. However, the budget eliminates the GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) Program, a cut of $340 million from the FY17 enacted level. The Administration proposes new legislative authority to change TRIO from a competitive grant program to a state formula grant, and to allow TRIO funds to be used for activities currently authorized under GEAR UP. Committee Democrats oppose this proposed change because if enacted, it would effectively reduce the amount of funds available for TRIO and GEAR UP activities below FY17 levels and conflate the purposes and goals of two necessarily distinct programs designed to help first-generation students access and complete postsecondary education.

- ***Teacher Quality Partnership Grants:*** The Administration proposes to eliminate Teacher Quality Partnership Grants (appropriated at $43.1 million in FY17). Committee Democrats remain opposed to any effort by Congressional Republicans or the Trump Administration to use the FY19 budget and appropriations process to exacerbate our teacher shortage crisis.

- ***Graduate Assistance in Areas of National Need (GAANN):*** The Administration's FY19 request eliminates GAANN, a decrease of $28 million below the FY17 enacted level. GAANN provides grants to institutions for the development of graduate fellowships in areas of national need (e.g., engineering, chemistry, math, nursing, etc.) to low-income doctoral candidates. Democrats oppose this proposed program elimination.

- ***International Education and Foreign Language Studies Domestic and Overseas Programs:*** The Administration proposes to eliminate these programs (appropriated at $65.1 million and $7.1 million, respectively, in FY17), and justifies the elimination with language that suggests that the activities supported by these programs are better advanced by other agencies whose primary mission is national security. Committee Democrats oppose these program eliminations, as they will make it more difficult and costly for undergraduate students to master foreign languages and area studies critical to our national security and international relations needs.

Individuals with Disabilities. The Administration proposes significant reductions to Federal investment in programs to support individuals with disabilities in education, employment, and independent living administered by the Departments of Education, Health and Human Services, and Labor.

- ***The Individuals with Disabilities Act (IDEA):*** The Administration's FY19 budget proposes to level fund the Individuals with Disabilities Act (IDEA) Formula Grants and Programs at $12.8 billion, equal to the FY17 enacted level. This proposed funding does not account for inflation, and is effectively a cut in the overall amount of funding toward the per pupil expenditure (approximately 15.7% in FY17, 14.0% in the FY19 budget request). The proposed budget would also flat fund the IDEA Part D program, a program critical to supporting personnel development and technical assistance, at $222.1 million. Committee Democrats remain committed to meeting the developmental and educational needs of children with disabilities to empower each individual to pursue opportunities for independent living and full integration into society. To meet these needs, Committee Democrats support IDEA full funding, or $32.2 billion for FY19. This is the funding level sufficient to cover 40% of the average per pupil expenditure (APPE) to educate students with disabilities. Committee Democrats recognize this amount far exceeds the FY17 enacted level and suggest year after year funding increases to achieve IDEA full funding in 10 years (approximately $40 billion by FY29).

- ***Special Olympics:*** The Administration proposes program elimination for the Special Olympics in FY19, a decrease of $10 million below the enacted FY17 level. Special Olympics support training, athletic competition, and health care for individuals with intellectual disabilities to help each individual reach his or her full potential. Committee Democrats oppose the elimination of this critical program and encourage continued investment to expand opportunities provided by the Special Olympics.

- ***Disability Programs Authorized by the Workforce Innovation and Opportunity Act:*** The Administration proposes $3.5 billion for Vocational Rehabilitation Grants, an increase of more than $123 million above the FY17 enacted level. Although Committee Democrats support an increased FY19 funding level, the proposed increase falls short of the promise to provide adequate supports and services to individuals with disabilities as they enter competitive, integrated employment opportunities. Further, the Administration's budget proposal eliminates the Supported Employment program, a decrease of $27.5 million below the enacted FY17 level. The Supported Employment program provides highly individualized job training and employment services to individuals with significant disabilities.

  The Administration's FY19 Department of Health and Human Services (HHS) budget request also significantly reduces support for programs supporting individuals with disabilities authorized under the Workforce Innovation and Opportunity Act (WIOA). The Administration proposes $56 million for the State Councils on Developmental Disabilities, a $17 million decrease below the enacted FY17 level. The State Councils provide extensive support to individuals with developmental disabilities from birth through adulthood. The Administration also proposes program elimination of the National Institute on Disability, Independent Living, and Rehabilitation Research

(NIDILRR), a $104 million decrease below the enacted FY17 level. NIDILRR conducts research, demonstration projects, training, and technical assistance that maximize full inclusion in society for people with disabilities. Although a small program, NIDILRR has a tremendous impact on improving outcomes for people with disabilities by sharing best practices and expanding knowledge about the capabilities of people with disabilities. Committee Democrats oppose these proposed cuts and call for continued investment in quality vocational rehabilitation programs authorized by WIOA to provide individuals with disabilities the opportunity for success in employment and in life.

Child Safety. Committee Democrats support robust Federal funding to support evidence-based state, local, and institutional efforts to protect all children from abuse, neglect, homelessness, and other threats to safety, including drug abuse and gun violence prevention efforts.

- ***School Safety National Activities:*** Despite budget authority to fund ***Project Prevent*** grants and ***Project SERV*** grants provided in subpart 3 of Part F of Title IV of the ESEA, the Administration proposes zero dollars for either program, $68 million below the enacted FY17 level for Project SERV. The enacted FY17 level for Project SERV was $68 million, and grants supplement funding to cover the cost of post-incident recovery, stabilizing students' and faculties' lives and restoring a sense of safety and security to schools affected by disaster, including school shootings.

  In the place of Project Prevent and Project SERV, the Administration proposes $43 million for School Climate Transformation Grants to support school-based opioid prevention and abuse treatment, a 37% reduction in national activities funding for school safety below the enacted FY17 level, despite more the than 230 school shootings since the massacre at Sandy Hook Elementary School,[9] including the recent massacre in Parkland, Florida. Democrats oppose the Administration's proposal because Congress must support schools to combat both the opioid epidemic, and substance abuse generally, and school shootings. Committee Democrats support funding for school-based substance abuse and prevention treatment efforts, including but not limited to efforts to combat opioid abuse, but do not support such funding in place of federal funding for gun violence prevention and response.

- ***Child Abuse Prevention and Treatment Act (CAPTA):*** The Administration's FY19 HHS budget request proposes $98 million for CAPTA for FY19, an amount equal to the enacted FY17 level. CAPTA is the only Federal legislation dedicated, solely, to addressing child abuse and neglect – including prevention, identification, assessment, treatment, and prosecution – by providing funding to States, discretionary grants to public agencies and nonprofit organizations including Indian Tribes and Tribal organizations, and community based grants. Significant increases in national incidence rates of child abuse and neglect,[10] much of which is due to the opioid epidemic, render the Administration's proposed FY19 CAPTA funding level insufficient.

[9] The New York Times, *After Sandy Hook, More than 400 People Have Been Shot in Over 200 School Shootings*, February 2018, https://www.nytimes.com/interactive/2018/02/15/us/school-shootings-sandy-hook-parkland.html.
[10] The Administration for Children and Families, *Child Abuse, Neglect Data Released*, February 2018, https://www.acf.hhs.gov/media/press/2018/child-abuse-neglect-data-released.

- ***Runaway and Homeless Youth Act (RHYA):*** The Administration's FY19 HHS budget request also proposes $119 million for the Runaway and Homeless Youth Act (RHYA) for FY19, an amount equal to the enacted FY17 level. RHYA specifically supports efforts to address youth and young adult homelessness across the U.S., including funding for: education, treatment and counseling, referrals to vital services, temporary shelter, family reunification services, and transitional living services for older youth. Significant increases in national incidence rate of youth homelessness[11] renders the proposed FY19 RHYA funding level insufficient.

Juvenile Justice. The Administration's FY19 Department of Justice budget requests $229.5 million for juvenile justice programs. This amount is a $17.5 million reduction from the FY17 enacted level. This proposed budget request:

- Flat funds the ***Part B Formula Grants to States*** at $58 million. This Federal grant is awarded to state juvenile justice systems to operate their programs in accordance with the mandates of the Juvenile Justice and Delinquency Prevention Act (JJDPA) – the law that creates the Federal guardrails that protect children in state juvenile justice systems. Committee Democrats support increased funding for Part B at $76.125 million.
- Provides $58 million for ***Youth Mentoring Grants***, a $22 million decrease from the FY17 enacted level.
- Recommends $17 million for ***Delinquency Prevention grants***, a $2.5 million increase over the FY17 enacted level; Committee Democrats support funding at $91.85 million.
- Eliminates ***Community-Based Violence Prevention Initiatives***. Committee Democrats oppose this elimination.

Significant advances in research have been made in the area of juvenile justice since JJDPA was last reauthorized in 2002. Committee Democrats joined with the Majority during the 115th Congress to introduce and pass H.R. 1809, the Juvenile Justice Reform Act of 2017. This bipartisan reauthorization of JJDPA would make the juvenile justice system fairer, cost-effective, and more responsive to both victims and youthful offenders. H.R. 1809 includes provisions from the Youth PROMISE Act (H.R. 2197 in the 114th Congress) to increase funding for evidence-based prevention models designed to eliminate the School-to-Prison Pipeline.

Civil Rights in Education. Despite significant increases in claims submitted for investigation by the Office of Civil Rights (OCR),[12] including a marked increase in complaints alleging racial hostility since the presidential campaign of Donald Trump,[13] the Administration's FY19 budget a $1.1 million decrease for OCR from the FY17 enacted level of $108.5 million. This proposed cut is in addition to the Administration's targeted elimination of OCR full time

[11] The Huffington Post, *A Hidden Population Youth Homelessness is on the Rise*, July 2017, https://www.huffingtonpost.com/entry/a-hidden-population-youth-homelessness-is-on-the-rise_us_595f942fe4b08f5c97d068db; National Center for Homeless Education, *Federal Data Summary School years 2013-14 to 2015-16 Education for Homeless Children and Youth*, December 2017, https://nche.ed.gov/downloads/data-comp-1314-1516.pdf.

[12] Department of Education Office for Civil Rights, *Budget Request* (p. Z-13), https://www2.ed.gov/about/overview/budget/budget19/justifications/z-ocr.pdf.

[13] Southern Poverty Law Center, *The Trump Effect The Impact of The 2016 Presidential Election on Our Nation's Schools*, November 28, 2016, https://www.splcenter.org/20161128/trump-effect-impact-2016-presidential-election-our-nations-schools#the%20ugliness%20is%20new.

employees.[14] Committee Democrats believe we must commit Federal resources necessary to fully address discrimination stemming from disparate treatment, disparate impact, and retaliation in violation of these laws to provide all students, in kindergarten through college, a high-quality, equitable education.

Child and Maternal Health, and Nutrition. Food insecurity remains a prevalent problem across the country; more than 16% of American households have children experiencing food insecurity.[15] Despite this sobering reality, the Administration's FY19 Department of Agriculture (USDA) budget proposes cuts to Federal programs that support child health and nutrition, including drastic cuts to the Supplemental Nutrition Assistance Program (SNAP) by more than $213 billion over the next ten years. These cuts will threaten the ability of children to access Federal child nutrition programs (CNPs), as fewer families will be enrolled in SNAP and therefore automatically eligible for other CNP benefits. Committee Democrats remain steadfast in their support for improving access to healthy foods in schools and other settings, and for maintaining robust and science-based nutrition standards in Federal nutrition programs.

- ***Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):*** The Administration's FY19 budget proposes $5.535 billion for WIC, a slight increase over the enacted FY17 level. WIC currently serves approximately 50% of all infants across the country, and inadequate resources would be detrimental to their development. Committee Democrats will remain vigilant to ensure that WIC can serve all eligible applicants who seek program benefits. The budget also proposes eliminating funding for the WIC Farmers Market Nutrition Program, a proposal that Committee Democrats oppose.

- ***National School Lunch Program (NSLP):*** The Administration's FY19 budget proposes $11.713 billion for the National School Lunch Program, $627 million below the enacted FY17 level of $12.340 billion (a 5% decrease, due to the use of carryover funding). President Harry S. Truman signed this program into law in 1946, "as a measure of national security, to safeguard the health and well-being of the Nation's children." Committee Democrats understand that lunches provided under NSLP address students' health and academic needs by reducing the risk of chronic preventable diseases later in life and by promoting healthy eating habits that are optimal for development.[16]

- ***School Breakfast Program (SBP):*** The Administration proposes $5.082 billion for the School Breakfast Program for FY19, $612 million above the enacted FY17 level. This program began as a pilot program in 1966 to provide free or reduced-price nutritious morning meals, and became permanent in 1975. The more than 14 million breakfasts provided under SBP prepare students for the school day with nutritious meals linked to healthier eating habits and improved academic performance in reading, math, and

[14] POLITCO, *Civil rights office at Education Department hit hard by buyout offers*, November 21, 2017, https://www.politico.com/story/2017/11/21/civil-rights-education-department-buyouts-095773.
[15] USDA Economic Research Survey, *Household Food Security in the United States in 2016*, September 2017, https://www.ers.usda.gov/publications/pub-details/?pubid=84972.
[16] USDA, *Dietary Guidelines for Americans*, 2010, http://www.cnpp.usda.gov/sites/default/files/dietary_guidelines_for_americans/ExecSumm.pdf.

science.[17] Committee Democrats understand that schools that provide breakfasts to students see improved attendance, behavior, and academic achievement.[18]

- ***Child and Adult Care Food Program (CACFP):*** The Administration proposes $3.933 billion for CACFP for FY19, $442 million above the enacted FY17 level of $3.491 billion. This program assists in improving the quality of childcare and makes it more affordable for many low-income families, including by providing meals to children and adults receiving childcare at family child care homes, child care centers, Head Start programs, afterschool programs, and adult care centers. Committee Democrats believe in the vital role of CACFP in reducing food insecurity.[19]

- ***Summer Electronic Benefits Transfer for Children (SEBTC):*** The Administration proposes $23 million for the SEBTC demonstration project for FY19, essentially the same amount as the enacted FY17 level. This program is designed to offer money per child per month on an EBT card to provide meals during the summer months. Committee Democrats believe the SEBTC program substantially reduces food insecurity among children.[20]

- ***Summer Food Service Program (SFSP):*** The Administration proposes $519.5 million for the SFSP for FY19, $108 million below the enacted FY17 level of $627 million (a 17% decrease, due to the use of carryover funding). In 2016, SFSP provided meals to 2.8 million children each day at over 48,000 sites during the program's peak month of July. Committee Democrats strongly support the SFSP and believe that the program is vital to ensuring that students are ready to learn when school begins in the fall.

- ***School Meal Equipment Grants:*** The Administration proposes to eliminate School Meal Equipment Grants for FY19, which received $25 million in FY17. Funds from this program allow school food authorities to purchase equipment to serve healthier meals that meet the updated meal patterns, with emphasis on more fruits and vegetables in school meals. Committee Democrats recognize that these grants are essential in ensuring schools have the tools they need to serve healthy meals and oppose their proposed elimination.

Community Support Programs. The FY19 budget proposes eliminating important programs that support the wellbeing of communities. Among these programs targeted for elimination are the Low Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG). LIHEAP, which received approximately $3.4 billion in FY17, helps keep families safe and healthy through energy cost assistance. CSBG, which received approximately $700 million in FY17, supports a range of anti-poverty initiatives, including Meals on Wheels. Committee Democrats strongly oppose the elimination of these and other programs that invest in communities.

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[17] The University of Iowa, *Better breakfast, better grades*, March 12, 2015, https://now.uiowa.edu/2015/03/better-breakfast-better-grades.
[18] Food Research & Action Center (FRAC), *Breakfast for Learning*, October 2016, http://frac.org/wp-content/uploads/breakfastforlearning-1.pdf.
[19] Food Research & Action Center (FRAC), *Facts The Child and Adult Care Food Program (CACFP)*, February 2018, http://frac.org/wp-content/uploads/cacfp-fact-sheet.pdf.
[20] USDA Food and Nutrition Service, *Report on the Summer Food for Children Demonstration Projects for Fiscal Year 2013*, December 2013, https://fns-prod.azureedge.net/sites/default/files/SEBTC_2013.pdf.

Corporation for National and Community Service (CNCS). The FY19 budget proposes to eliminate funding for CNCS. Elimination of this program means removing talented, civic-minded corps members from over 50,000 communities across America, which include volunteer corps members ranging from young individuals who recently graduated high school or college to senior citizens. Corps members help communities recover from natural disasters, such as the mudslides in California and the Hurricanes in Texas, Puerto Rico, and the U.S. Virgin Islands; support military families; and run educational programs in under-resourced schools and communities. Committee Democrats believe in uplifting service to communities and the nation and support maintaining the current funding of $1.03 billion for CNCS.

LABOR: The Administration's request for the Department of Labor and related agencies for FY19 is $10.898 billion, $1.188 billion below the FY17 enacted level.

Jobs/Workforce Development. If America is to remain competitive in the global marketspace, then it must support a highly trained workforce that is afforded safe workplaces with the security and protection of labor and civil rights.

- ***Workforce Innovation and Opportunity Act (WIOA):*** The Administration's FY19 budget provides level funding for youth, adult employment, and dislocated worker training activities under the Workforce Innovation and Opportunity Act. Cumulatively, WIOA's Title I state formula funds are authorized to be funded at $3.2 billion; however, the Administration's requests $2.7 billion – the FY17 enacted level. Committee Democrats note that fully funding WIOA programs will ensure the workforce development system works optimally to help workers gain the skills necessary for good-paying jobs. Commitment to the goals set forth in WIOA must also include maintaining the integrity of each WIOA funding stream as the law provides for separate funding streams for youth, adults, and dislocated workers to ensure that the varying needs of the different populations were met. By requiring a separate funding stream for youth activities, WIOA acknowledges the distinct challenges of out-of-school and low-income, in-school youth in entering the workforce. The Administration's FY19 budget undermines support for these populations by allowing local areas to divert all funds allocated for youth activities to adult activities. Committee Democrats oppose this particular request.

- ***Job Corps:*** The Administration's FY19 budget provides $1.297 billion for Job Corps, a $407 million decrease below the FY17 enacted level. Committee Democrats support Job Corps to be funded at its authorized level of $1.9 billion. Job Corps serves the youth for whom the traditional routes of education and training have failed. The residential component, in particular, provides young people with a refuge and an immersive structure for learning. The program, which serves up to 60,000 students annually, provides its students with intensive social, academic, career and technical education at approximately 130 Job Corps centers and satellite campuses in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. According to the Department of Labor, more than 80% of Job Corps graduates go on to join the workforce, enlist in the military, or enroll in higher education. Committee Democrats oppose the Administration's request to cut nearly $400 million from the Job Corps program, as well as proposals to close or consolidate, rather than reform, poorly performing centers. Committee Democrats also do not support proposals to focus Job Corps participation on older youth, as it contradicts Congressional intent as stated in WIOA.

- ***Opportunity Youth:*** Unlike the FY17 proposed budget, the FY19 budget does not include any additional funding requests or proposals to provide at-risk and opportunity youth with increased employment opportunities. Furthermore, the Administration's FY19 budget endangers access to already-funded supports for at-risk and opportunity youth by proposing to allow local areas to divert all WIOA funds allocated for youth activities to adult activities. Nearly 5 million young people ages 16 to 24 are disconnected from both school and work. Disconnection during this critical period can leave young people without the entry-level work experience and postsecondary credentials they need to succeed in the workforce. Committee Democrats continued their commitment to improving employment opportunities for young Americans, introducing and supporting the *Opening Doors for Youth Act of 2017*. This proposed legislation expands opportunities for our nation's at-risk and opportunity youth by authorizing over four years $3.5 billion in formula funding for year-round and summer employment opportunities and $2 billion in competitive grants to support community efforts to keep youth connected to school and training. Committee Democrats support this multi-year funding proposal.

- ***Apprenticeships:*** The Administration's FY19 budget proposes $200 million for Apprenticeship Grants, a $105 million increase above the FY17 enacted level. Committee Democrats are committed to expanding high-quality, registered apprenticeship programs to help people gain the skills they need to enter and thrive in the middle class. The meaningful accountability for program quality and outcomes of the registered apprenticeship model has meant workers and employers can be assured quality and nationwide acceptance of their credentials. Although we believe a $200 million investment in apprenticeships, as proposed in the budget, is a step in the right direction to expand apprenticeships, Committee Democrats disagree with efforts to promote alternative models or systems without quality standards that support a high-quality, nationally-recognized program. Committee Democrats call for maintaining the integrity of apprenticeship programs through the registered apprenticeship model.

- ***Reentry Employment Opportunities (formerly Reintegration of Ex-Offenders)*:** The Administration's proposed budget requests $78.3 million for the Reintegration of Ex-Offenders program, a $9.1 million decrease below the FY17 enacted level of $88 million. Committee Democrats support an increase in funding to $95 million, a $7 million increase over the FY17 enacted level as employment is a critical predictor of successful reintegration into society.

National Labor Relations Board (NLRB). The Administration's request for FY19 proposes a 9% cut to the NLRB, from $274 million to $249 million enacted in FY17. The NLRB administers Federal labor law for much of the private sector by conducting union representation elections and adjudicating allegations of unfair labor practices. Committee Democrats support increased funding for the NLRB at not less than $275 million, which is $0.8 million more than the $274.2 enacted in FY17.[21] The NLRB's funding has remained level for the past five years, and has failed to increase with the rate of inflation. Reduced funding for the NLRB would impede its ability to resolve unfair labor practices where workers have been fired or punished for asserting their rights at work. As a result, those workers would have to wait years before receiving the reinstatement or back-pay they are rightfully owed.

Mine Safety and Health (MSHA). The Administration's FY19 budget request for the Mine Safety and Health Administration is $376 million which is a $2 million increase compared with the $374 million enacted in FY17. Committee Democrats support adequate funding at not less than $397 million, the FY17 requested level, for MSHA to meet its statutory mandate to inspect every underground mine four times per year and every surface mine twice per year. Following MSHA's closure of 3 District Offices and 5 Field Offices in response to declining coal production, the FY19 request reduces coal mine enforcement by $1 million and increases metal/non-metal mine enforcement by the same amount. Since 2000, the rates of the most severe forms of black lung disease have surged in Appalachia largely due to increased silica exposure caused by thin seam coal mining, [22] and NIOSH has documented that the rates of progressive massive fibrosis now exceed those found in the early 1970s.[23] To stem this surge, sufficient resources are needed for MSHA to enforce its 2014 respirable dust rule, substantially expand monitoring of operator compliance with its existing silica rule, and develop a more protective silica standard.

Occupational Safety and Health. The Administration's FY19 request for the Occupational Safety and Health Administration (OSHA) is $549 million, a $3 million cut from the $552 million enacted in FY17. This level of funding is insufficient for OSHA to carry out its statutory mission "to assure so far as possible that every working man and woman in the Nation [have] safe and healthful working conditions." At the proposed level, OSHA will be able to inspect each workplace within its jurisdiction, on average, once every 159 years.[24] Moreover, this sparse funding level fails to provide sufficient resources to conduct an adequate number of inspections at high hazard workplaces such as oil refineries, chemical plants and construction sites. This level also fails to meet the Federal commitment to match funding for state OSHA programs. Under this budget, the backlog of 2,500 whistleblower complaints filed under 22 separate laws is projected to grow 16%. The budget eliminates the Susan Harwood training program, which provides safety training to workers in high hazard industries through community colleges, trade associations, labor unions and community based worker groups, and instead misdirects scarce funds into an expansion of an employer recognition program for employers who have highest performing safety programs—instead of focusing on employers with the most dangerous workplaces. The budget cuts off valuable advice to the agency leadership by eliminating the

[21] Since gaining a majority in 2011, Education and Workforce Committee Republicans have held 36 hearings and markups devoted to undermining the rights protected by the NLRB, which is more than on any other subject within the Committee's jurisdiction. This Congress, Committee Republicans have moved two partisan bills to cripple the NLRB's ability to protect workers' rights for workers.

[22] National Public Radio, *Black Lung Study Finds Biggest Cluster Ever of Fatal Coal Miners' Disease,* February 6, 2018, https://www.npr.org/2018/02/06/583456129/black-lung-study-biggest-cluster-ever-of-fatal-coal-miners-disease.

[23] Centers for Disease Control and Prevention, *Resurgence of Progressive Massive Fibrosis in Coal Miners — Eastern Kentucky, Morbidity and Mortality Weekly Report*, December 16, 2016, https://www.cdc.gov/mmwr/volumes/65/wr/pdfs/mm6549.pdf.

[24] AFL-CIO, *Death on the Job The Toll of Neglect*, 2017 (pp. 3), https://aflcio.org/reports/death-job-toll-neglect-2017.

Whistleblower Protection Advisory Committee and the Federal Advisory Committee on Occupational Safety and Health. Committee Democrats urge a funding level not less than $595 million, the FY17 requested level.

Scientific Research in NIOSH on Workplace Safety and Health. The Administration's request slashes funding for the National Institute for Occupational Safety and Health (NIOSH) by 40% from $335 million enacted in FY17 to $200 million in FY19. NIOSH performs scientific and technical research to support mine and workplace safety, investigates health hazards in the workplace, certifies respiratory protection equipment, implements the 9/11-World Trade Center medical monitoring and health care program, and provides scientific support for estimating occupational radiation exposures under the Energy Employees Occupational Illness Compensation Program Act. The budget proposes to shift most of NIOSH out of the Centers for Disease Control (CDC) and dissolve its functions into the National Institutes for Health, while leaving the 9/11-World Trade Center program in CDC. Dissolving NIOSH would violate the Occupational Safety and Health Act of 1970, which permanently established the agency; moreover, its functions were permanently expanded to cover mining research in the Mine Improvement and New Emergency Response Act of 2006 (MINER Act). Committee Democrats urge retaining NIOSH in CDC, and fully funding NIOSH at not less than the FY17 enacted level, including the continuation of the Agriculture, Fishing and Forestry Program (AgFF), the Education Resource Centers, the Total Worker Health program, and extramural research activities.

Federal Workers' Compensation Programs (Mandatory Programs)

- ***Black Lung Excise Tax and the Black Lung Disability Trust Fund (Mandatory Spending):*** The Black Lung Disability Trust Fund, which is funded by an excise tax on mined coal, pays black lung benefits to disabled miners and their survivors when coal operators have gone out of business, filed for bankruptcy or there is insufficient insurance coverage. The Black Lung Excise Tax (BLET) rate of $1.10 per ton on underground coal and $0.55 per ton on surface coal, which was renewed for a 10-year period in 2008 as part of the Emergency Economic Stabilization Act of 2008, will – absent Congressional action – be reduced by 55% on December 31, 2018 ($0.50 per ton on underground coal, and $0.25 per ton on surface coal). Acknowledging this change in law, the President's FY19 budget request projects that BLET revenues will decline from $473 million in FY18 to $290 million in FY19. The budget request does not recommend renewing the tax rate, even though the reduced revenues are insufficient to cover benefits, administrative costs, and service on the Trust Fund's accumulated $5.8 billion in debt.[25] The GAO is currently analyzing the projected revenues and expenses for the Trust Fund, and it is possible that its study will indicate more revenues are needed to ensure the solvency of the Trust Fund. If there is a shortfall in the Trust Fund, the Trust Fund can borrow from the Treasury to make benefit payments. Evidence shows that if the excise tax is not renewed at its current rate by December 31, 2018, the borrowing by the Trust Fund debt is projected to grow sharply—thereby shifting the cost of paying benefits from the coal industry to the taxpayer.

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[25] Department of the Treasury, *Monthly Report on the Black Lung Disability Trust Fund*, January 31, 2018, ftp://ftp.publicdebt.treas.gov/dfi/tfmb/dfib10118.pdf.

- ***Federal Employees' Compensation Act (FECA):*** Committee Democrats oppose the Administration's proposal to slash Federal and postal workers' compensation benefits under the Federal Employees' Compensation Act (FECA). FECA benefits are paid from a revolving fund in the Treasury and treated as mandatory spending, even though each agency reimburses the revolving fund from discretionary appropriations based on previous year outlays. A core principle underpinning workers' compensation is that workers who are injured on the job should not be economically worse off, nor better off, than if they had not been injured. The Administration's legislative proposal cuts FECA benefits for permanently disabled workers at normal retirement age on the grounds that it is too generous, and thus reduces incentives for workers to return to work when they recover from their injury. There is no empirical evidence to support this assessment. To the contrary, the Government Accountability Office analyzed this legislative proposal in 2012 and reported that the median disabled Federal worker receiving FECA benefits would receive 65% to 69% of the income at retirement age that they would have received had they been able to work a full 30-year career and earn a retirement.[26] Instead of slashing benefits, Democrats support legislation focused on ensuring taxpayers' interests are fairly protected through program integrity measures, updating obsolete benefit levels, assisting injured workers in returning to work, and ensuring claimants receive full due process.

Wage and Hour Division. The Administration's FY19 budget requests $230 million for the Wage and Hour Division (WHD). This amount is a $2.5 million increase from the enacted FY17 level; yet, less than the rate of inflation. Committee Democrats support increasing WHD's budget to $276.6 million with an additional 300 investigators. Committee Democrats are concerned that the Administration's budget request is insufficient to combat wage theft as it projects fewer enforcement personnel than FY17. The Wage and Hour Division is tasked with protecting more than 135 million working people at over 7.3 million establishments. However, the Wage and House Division only has 894 investigators. By contrast, in the 1940s, WHD had 1,000 investigators and was charged with protecting just one-seventh of the size of today's workforce from wage and hour violations.[27] Wage theft is a rampant problem, as confirmed in a 2017 study from the Economic Policy Institute that found that workers lost $8 billion annually to minimum wage violations alone.[28]

Committee Democrats are also concerned with the WHD's current use of resources. Since July 20, 2017, WHD has operated under a national non-enforcement policy for the Department of Labor's (DOL) regulations relating to the retention of tips received by employees who are paid at least the Federal minimum wage. In 2017, DOL proposed to rescind parts of its 2011 rule that clarified tips are the property of the employee, regardless of whether an employer takes a tip

[26] Testimony of the GAO before the Subcommittee on Workforce Protections, Committee on Education and the Workforce (GAO-15-604T), *FEDERAL EMPLOYEES' COMPENSATION ACT Analysis of Benefits Associated with Proposed Program Changes* (pp.21), May 20, 2015, https://www.gao.gov/assets/680/670291.pdf.
[27] POLITICO, *Behind the Minimum Wage Fight, a Sweeping Failure to Enforce The Law*, February 18, 2018, https://www.politico.com/story/2018/02/18/minimum-wage-not-enforced-investigation-409644.
[28] Economic Policy Institute, *Employers steal billions from workers' paychecks each year*, May 10, 2017, http://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year-survey-data-show-millions-of-workers-are-paid-less-than-the-minimum-wage-at-significant-cost-to-taxpayers-and-state-economies/.

credit. According to an analysis by the Economic Policy Institute, this proposal would transfer $5.8 billion in tips from workers to their employers each year.[29] Committee Democrats are concerned that DOL has carried out this proposed rulemaking without conducting a legally required cost-benefit economic analysis. Further, reports that DOL conducted this analysis, and then suppressed it because it would reveal that the rule would cause employers to pocket a substantial portion of workers' tips, is raising questions about the integrity of the DOL rulemaking process.

Office of Disability Employment. The Administration proposes $27 million for the Labor Department's Office of Disability Employment Policy (ODEP), an $11.2 million decrease from the FY17 enacted level. ODEP works to develop and influence policies and practices that support eliminating barriers in the training and employment of people with disabilities. Committee Democrats oppose this proposed cut because it would limit ODEP's already limited ability to provide support to businesses employing people with disabilities.

Family and Medical Leave. Committee Democrats support a comprehensive, national paid family and medical leave program. Respected economists believe it is good for both working people and our nation's economy.[30] However, Committee Democrats are concerned with the Administration's proposal to provide only six weeks of paid parental leave by drawing on an already strained Unemployment Insurance system. The proposal would only provide paid parental leave to new parents to use in the event of a childbirth or adoption. The proposal provides $700 million in mandatory funding for the states' start-up costs and administrative costs to operate the program through grants provided by the Employment and Training Administration. The FY19 budget request lacks further details on the implementation of this program. Committee Democrats believe the Administration's paid leave request would leave millions of workers unable to access paid family and medical leave. Instead, Committee Democrats support strong, comprehensive, and sensible solutions such as, H.R. 947, the Family and Medical Leave Insurance (FAMILY) Act, which would provide 12 weeks of partially paid, family and medical leave to all employees and include leave for caregiving responsibilities for parents, spouses and children, in addition to parental leave. The program would be funded by small employer and employee payroll contributions.

Health Care. The Administration's FY19 budget urges Congress, to again, attempt to repeal the Affordable Care Act (ACA) by passing legislation modeled on the Graham-Cassidy proposal and assumes $675 billion in savings. The FY19 budget also calls for the rescission of the ACA's Medicaid expansion and endorses a plan to provide health care funding in block grants to states. Committee Democrats remain committed to protecting health insurance coverage for American

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[29] Economic Policy Institute, *Employers would pocket $5.8 billion of workers' tips under Trump administration's proposed tip stealing' rule*, December 12, 2017, http://www.epi.org/publication/employers-would-pocket-workers-tips-under-trump-administrations-proposed-tip-stealing-rule/. EPI estimates that the annual amount of employees' tips pocketed by employers as a result of this rule is between $523 million and $13.2 billion, with the best estimate being $5.8 billion.

[30] Researchers estimate that workers lose over $20 billion annually because of a lack of access to paid leave. See: Center for American Progress, *The Cost of Work-Family Policy Inaction*, September 22, 2016, https://www.americanprogress.org/issues/women/reports/2016/09/22/143877/the-cost-of-inaction/. S&P Global estimates that if women entered the workforce at the same rate as Norway (a country with generous paid family and medical leave policy), the U.S. economy would be $1.6 trillion larger. See: S&P Global, *The Key to Unlocking U.S. GDP Growth Women*, 2017, https://www.spglobal.com/our-insights/The-Key-To-Unlocking-US-GDP-Growth-Women. The Department of Labor similarly estimated that if the female labor force participation rate grew at the same rate as Canada or Germany (countries with paid leave and other family policies), the U.S. would see an additional $500 billion of additional economic activity per year. See: U.S. Department of Labor, *The Cost of Doing Nothing*, September 4, 2015, https://www.dol.gov/featured/paidleave/cost-of-doing-nothing-report.pdf.

families and building on the gains made by the ACA. Instead of taking away the vital coverage gains that have been made, Committee Democrats want to expand health insurance options, protect access to health coverage, and provide the robust public health investments needed to stem the opioid crisis, and substance abuse generally, and create a healthier workforce.

The FY19 budget also requests a $2 million increase in funding for the Employee Benefits Security Administration (EBSA) for 15 full-time equivalent employees (FTEs) for oversight of association health plans (AHPs). The Administration's request is made in anticipation of Congress adopting legislation or DOL finalizing its regulatory proposal that would increase the number of non-comprehensive and poorly regulated AHPs. Committee Democrats oppose legislation or regulations that undermine the ACA's consumer protections for workers and small business owners and would result in higher costs and less coverage for many. A variety of patient and consumer groups, the National Association of Insurance Commissioners, and the American Academy of Actuaries share Committee Democrats' concerns with proposals to promote AHPs.[31]

Retirement Security. The Administration's FY19 budget provides $190 million for EBSA, which implements and enforces the Federal statute pertaining to employer-provided health and retirement benefits. This amount represents an $8.5 million increase over the FY17 enacted level. Additionally, the FY19 budget proposes new premiums for the Pension Benefit Guaranty Corporation's (PBGC's) multiemployer pension program totaling approximately $16 billion over the 10-year budget window.

Committee Democrats are committed to addressing the solvency of the PBGC's multiemployer pension program and fixing the multiemployer pension crisis that is threatening the retirement security of millions of Americans. To that end, Committee Democrats are hopeful that the Joint Select Committee on the Solvency of Multiemployer Pension Plans, which was established by the Bipartisan Budget Act of 2018, will advance a responsible, bipartisan solution. Committee Democrats also believe the Administration's premium proposal should be scrutinized by the Joint Select Committee and Congress so its impact on multiemployer plans, participants, and employers can be thoroughly understood.

Older Americans. The Administration's proposed budget would eliminate the Senior Community Service Employment Program (SCSEP) which was funded at $400 million in FY17 as part of the Department of Labor's Employment and Training Administration. The budget also proposes to cut Elder Rights Support Activities by $2 million. Congress passed a bipartisan reauthorization of the Older Americans Act in the 114th Congress and Committee Democrats are committed to full funding and implementation of the law.

Civil Rights in Employment.

[31] See: American Academy of Actuaries, *Letter to Chairwoman Foxx and Ranking Member Scott*, March 8, 2017, https://www.actuary.org/files/publications/AHPs_HR1101_030817.pdf; National Association of Insurance Commissioners, *Letter to Chairwoman Foxx and Ranking Member Scott*, February 28, 2017, http://www.naic.org/documents/health_archive_naic_opposes_small_business_fairness_act.pdf; Families USA, *Letter to Speaker Ryan and Leader Pelosi*, March 20, 2017, http://familiesusa.org/sites/default/files/documents/AHP_sign_on_3_20_final.pdf.

Office of Federal Contract Compliance Programs. The Administration's proposed budget requests $91.1 million for the Department of Labor's Office of Federal Contract Compliance Programs (OFCCP), a $12.7 million (or 12%) decrease from the FY17 enacted level. Additionally, the budget requests a decrease in FTEs; the budget requests 450 FTEs, a 75 FTE decrease from the FY17 enacted level. Committee Democrats support $120 million for the OFCCP to help ensure a well-staffed agency that will enforce Federal civil rights laws with regard to companies that do business with the Federal government.

Equal Employment Opportunity Commission. The Administration's FY19 proposed budget requests $363.8 million for the U.S. Equal Employment Opportunity Commission (EEOC), a $1.7 million increase over the FY17 enacted level. The EEOC's funding has remained level for the past five years. Additionally, the budget supports funding for 2,025 FTEs, a decrease from the 2,082 FTEs in FY17. Committee Democrats support robust funding for the EEOC as it is the principle agency charged with enforcing Federal employment anti-discrimination laws. Specifically, Committee Democrats endorse a funding level of $402 million for FY19 to address an increase in filed charges based on race, age, disability, and retaliation, as well as the increased awareness of sexual harassment in the workplace. Additionally, the funds will allow the EEOC to reduce the pending inventory of more than 60,000 charges.

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ONE HUNDRED FIFTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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March 2, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Womack:

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives and section 301(d) of the Congressional Budget Act of 1974, I am writing to provide the views and estimates of the Committee on Energy and Commerce on the President's budget for fiscal year 2019. As is the custom of the Committee, the Minority will transmit their views separately.

As outlined below, during the second session of the 115th Congress, the Committee will continue to review matters within its jurisdiction and offer proposals that reauthorize lapsed programs in a fiscally responsible manner.

1. Commerce – The Committee will review the authorization of the Federal Trade Commission (FTC) to modernize Commission practices, improve transparency, and support innovation in the economy. The Committee will review relevant FTC offices and programs, including matters related to consumer privacy and data security, deceptive advertising and marketing practices, and fraud targeting specific vulnerable populations. The Committee also will continue its work to promote vehicle safety, both through oversight of the National Highway Traffic Safety Administration (NHTSA) and ongoing efforts to enact the SELF DRIVE Act, which awaits action by the Senate. In addition, the Committee will monitor NHTSA's implementation of the Fixing America's Surface Transportation (FAST Act), which was enacted in 2015. With respect to the Consumer Protection Safety Commission (CPSC), the Committee will monitor the Commission's efforts to expand opportunities to work with regulated communities and affected stakeholders in order to promote a safe, efficient and cost-effective consumer product recall system, to promote voluntary standards and the award winning Fast Track recall program as a preferred method of removing unsafe products from interstate commerce, and to use clear, data-driven, evidence-based

decision making in all of its processes, including safety standards and product recalls. The Committee will review the CPSC's efforts to implement reductions in third-party testing burdens as required by H.R. 2715 (P.L. 112-68). Finally, the Committee will continue to support agencies within the Department of Commerce, particularly the Economic Development Administration, International Trade Administration, and the Bureau of Economic Analysis, to the extent their activities remain cost-effective, promote efficiency, reduce and eliminate barriers for U.S. companies to the marketplace, and avoid burdensome reporting requirements.

2. Energy – The Committee will support many of the Department of Energy's (DOE) national security, defense and civilian program priorities, and will continue to review funding levels to ensure the cost-effective use of taxpayer dollars and to ensure the Department's priorities align with current and anticipated national security, economic, and energy security challenges. The Committee also will support DOE's efforts to elevate the functions of the Department to address cyber threats, and implementation of policies to support emergency authorities for grid security emergencies. In addition, the Committee will support the responsible development and deployment of renewable, alternative, and conventional energy sources, but agrees that the role of the federal government and federal spending in these areas may need to be reduced. The Committee will support DOE's ongoing nuclear energy programs to support the fleet of existing commercial power plants and the public-private partnership to license and ultimately deploy small modular reactors. The Committee also will work to modernize the Strategic Petroleum Reserve (SPR) and supports the sale of SPR crude oil to fund such efforts. The Committee believes Energy Information Administration provides critical information and has demonstrated proper management of its appropriated funds. Finally, the Committee has expressed concern about the lack of transparency in Nuclear Regulatory Commission's (NRC) financial management system and will support initiatives to improve budget development, fee-setting, and billing processes and seek tangible, significant improvement in how NRC manages its budget.

3. Environment – The Committee appreciates the Environmental Protection Agency's (EPA) emphasis on protecting taxpayer resources and delivering efficient environmental protection, and its commitment to the Rule of Law by engaging with state regulators as partners and including the public in its rulemaking process. That will necessitate a better understanding of state grants to operate and enforce federal environmental laws. The Committee will support EPA's efforts to evaluate and manage existing chemicals under the Title I of the Toxic Substances Control Act. The Committee looks forward to supporting the EPA's efforts under the Drinking Water State Revolving Funds and the Water Infrastructure and Finance Innovation Act. The Committee also intends to continue to look at ways to make the Comprehensive Environmental Response, Compensation, and Liability Act cleanup process more efficient and cost effective so that more cleanups can be completed in a timely matter. The Committee believes that the Brownfields Program is a valuable tool for returning blighted properties to productive reuse and will support EPA's efforts to speed the cleanup of Brownfields sites. With respect to the review of the Yucca Mountain license application, the Committee will support DOE fully reconstituting its nuclear waste management organization to fulfill the federal

government's obligation under the Nuclear Waste Policy Act to dispose of spent nuclear fuel and high-level radioactive waste.

4. Health – The Committee will consider policies that improve the quality, affordability, and access of health coverage for all Americans with the goal of improving the sustainability of the health care system for current and future taxpayers and patients. In addition, the Committee will examine policies that help reduce the cost of health insurance and medical care, increase the quality of health outcomes and the patient experience, and encourage choice and competition to encourage robust consumer choice in health care. The Committee also will review policies to ensure federal health care authorities and programs are leveraged in manner that reduces waste, fraud, and abuse, and promotes transparency and accountability to benefit consumers. The Committee will reauthorize the authorities under the Pandemic All Hazards Preparedness Act to advance the nation's biosecurity and pass the user fee agreements related to the animal drug and generic animal drug user fees to aid the review of these important products. Finally, the Committee will explore policies that prioritize resources to aid low-income patients and support safety net providers through the 340B drug discount program.

5. Telecommunications – The Committee will continue its work to reauthorize the Federal Communications Commission (FCC) And conduct oversight of the Commission, including efforts to make the Universal Service Fund (USF) more effective and sustainable. The Committee will also continue to examine the role of National Telecommunications and Information Administration (NTIA) in spectrum management, with a focus on producing continued results for both government users and the economy. Finally, both the FCC and NTIA have responsibilities with respect to spectrum, and the Committee will focus on ways to remove any barriers this fragmentation of authority may have in making spectrum available to the public. The Committee also will pay close attention to stubborn executive departments and agencies standing in the way of common sense spectrum policy.

Should you have any questions about this submission, please direct them to the Committee's General Counsel, Ms. Karen Christian, at extension 5-2927.

Sincerely,

Greg Walden
Chairman

cc: The Honorable Frank Pallone, Ranking Member

MINORITY VIEWS AND ESTIMATES ON THE PRESIDENT'S BUDGET FOR FISCAL YEAR 2019

Submitted by:

The Honorable Frank Pallone
Ranking Member
House Committee on Energy and Commerce

March 5, 2018

MINORITY VIEWS AND ESTIMATES ON THE PRESIDENT'S BUDGET FOR FISCAL YEAR 2019
House Committee on Energy and Commerce

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MINORITY VIEWS AND ESTIMATES ON THE PRESIDENT'S BUDGET FOR FISCAL YEAR 2019
House Committee on Energy and Commerce

INTRODUCTION

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f)(1) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the Budget with respect to matters within its jurisdiction or functions.

The following discussion is not exhaustive, but it seeks to highlight the views of the minority of the House Energy and Commerce Committee on a number of important matters and issues within the Committee's jurisdiction that are affected by the President's Fiscal Year 2019 budget.

HEALTH

The President's Fiscal Year 2019 budget for the Department of Health and Human Services (HHS) proposes devastating cuts to Medicaid, Medicare, public health services, life-saving research programs, and once again calls for "repeal and replace" of the Affordable Care Act (ACA). This extreme budget jeopardizes access to care for millions of Americans and puts the nation's health care system at risk. It is an attack on working families, seniors and life-saving programs.

Medicaid

Medicaid is part of the safety net programs that afford our seniors, disabled, and low-income Americans access to quality health care.

This budget doubles down on the Administration's assault on working families by cutting Medicaid by $1.4 trillion. It includes a harsher permanent cap on funds than the TrumpCare bill passed by the House in 2017. Meanwhile, the budget builds on the Administration's ongoing, illegal efforts to kick vulnerable Americans off Medicaid through work requirements, lock outs, and proposed lifetime limits. Simply put – the Trump Administration's vision for our country through this budget is to take coverage away from families living on the brink that depend on Medicaid to make ends meet.

The Fiscal Year 2019 budget also proposes to limit drug coverage for Medicaid beneficiaries. Republicans would also implement cruel barriers to coverage for low-income families - including copayments and other changes that states could make that would decimate the Medicaid program.

Taken together, the budget would gut the single largest insurer of children in the United States, institute an unprecedented cut on the largest payer for behavioral health, and dangerously jeopardize care for seniors in nursing homes, individuals with disabilities, and working families.

Medicare

Additionally, the Trump Administration takes a swipe at our nation's seniors by making cuts to the Medicare program of $493.7 billion over 10 years. This includes large cuts to safety-net hospitals, post-acute facilities, and home health agencies and cost-shifting to Medicare beneficiaries.

Affordable Care Act (ACA)

This budget repeals the ACA and cuts a net $675 billion over 10 years from the budget. Repealing the ACA would take healthcare away from millions of Americans, raise costs for working families and older Americans, and eviscerate the ACA's protections for people with preexisting conditions.

In addition, ongoing efforts to sabotage the ACA, such as cutting off cost-sharing reductions and rolling back consumer protections, have already resulted in skyrocketing costs for middle-class families and 3 million more Americans becoming uninsured in 2017. And now – HHS is sitting on the sidelines while Idaho clearly circumvents the law by allowing for the sale of junk health plans that do not comply with the ACA's consumer protection requirements.

Prescription Drug Prices

While the President has repeatedly promised to address prescription drug prices, the policies included in his budget proposal do nothing to address the root cause of skyrocketing costs of prescription drugs. In fact, the Trump budget only addresses the rising costs of prescription drugs in name only. Further, the budget does not include meaningful proposals that will help to address gaming by brand name manufacturers that delay, deny, or impede generic drug competition.

Women's Health

The Trump Administration continues to undermine women's health by prohibiting certain reproductive health care providers from receiving Federal funds, including through Title X and the Medicaid program. This action furthers this Administration's ideological attack on providers like Planned Parenthood by limiting women's access to essential reproductive and preventive health care services.

Centers for Disease Control and Prevention (CDC)

Cuts of more than $1 billion to the CDC in the budget will weaken our public health infrastructure. Our ability to prevent and control costly chronic health conditions will be severely limited due to nearly $140 million slashed from chronic disease prevention and health promotion programs. Additionally, we will be limited in our ability to maintain critical expertise and our capability to respond to these emerging threats due to cuts of $60 million from the emerging and zoonotic infectious diseases program.

The budget would also eliminate the National Institute of Occupational Safety and Health (NIOSH) at CDC, and instead consolidates it into a new Institute at the National Institutes of Health (NIH) that receives less funding than NIOSH currently receives. NIOSH pursues research efforts that protect the health and safety of workers from threats that arise in the workplace. That focus clearly aligns with CDC's mission to serve as the nation's health protection agency. The important work NIOSH pursues to protect workers could be altered or diminished by removing this program and transitioning into the NIH whose focus is to seek fundamental knowledge about the nature and behavior of living systems. Removing NIOSH from CDC would also harm the World Trade Center Health program and the important health services that program provides to responders and survivors of the 9/11 terrorist attacks. NIOSH has been the longstanding leader of federal efforts to ensure that responders and survivors receive the health services they needs and this proposal would disrupt and undermine that work.

As part of the defunding and further restructuring of the CDC, the budget would transfer the Strategic National Stockpile (SNS) from CDC and place it under the control of the Assistant Secretary for Preparedness and Response (ASPR). Under the leadership of the CDC, the SNS has played an important role in responding to emerging health threats such as natural disasters, infectious diseases, and terrorism. Transitioning the SNS from CDC to ASPR could place the longstanding record of success of responding to the needs of Americans in times of crisis at risk. Since any reduction in the SNS capabilities and responsiveness could very well mean the difference between life and death in the wake of the next threat, such a move should only be taken based on the availability of robust evidence that such a move will result in improvements in the SNS capability and responsiveness. There is not clear evidence that this is the case.

Substance Abuse and Mental Health Services Administration (SAMHSA)

As our nation continues to battle its worsening opioid epidemic, Republicans seek a further limitation of important access to mental health and substance use disorder services at SAMHSA by cutting more than $112 million from mental health programs of regional and national significance (PRNS), more than $101 million from substance abuse prevention PRNS, and $97 million from substance abuse treatment PRNS.

Health Resources and Services Administration (HRSA)

The President's budget proposal includes cuts of more than $900 million from HRSA, including draconian cuts of $145 million from the Nursing Workforce Development Program, $43 million from the Ryan White HIV/AIDS Program, and $8 million from grant programs to improve and expand access to telehealth services in rural settings. The elimination of funding for Title VII workforce development programs would include programs for primary care, oral health, and public health and preventive medicine.

Office of the National Coordinator (ONC) for Health Information Technology

The Office of the National Coordinator for Health Information Technology would see a decrease of $22 million, which would hamper ONC's ability to implement the numerous priorities assigned to the agency in the 21st Century Cures Act.

ENERGY AND ENVIRONMENT

The President's Fiscal Year 2019 budget would devastate vital programs that protect the public health and save consumers millions of dollars each year. If enacted, his budget will result in greater lead exposure, increased fossil fuel use, higher energy bills, dirtier water, as well as more greenhouse gas and other pollution.

Environmental Protection Agency (EPA)

EPA's overall budget would be cut by 26 percent from Fiscal Year 2017, eliminating important programs to protect the public health. The Trump dirty budget kills programs to fight lead exposure, prevent pollution, protect beaches, promote recycling, enforce environmental justice requirements, support sound infrastructure at the U.S. – Mexico border, address environmental issues in the Gulf of Mexico, and more. Programs not eliminated outright would be decimated by cuts – including a 46 percent cut to clean air programs; a 48 percent cut to activities targeting leaking underground storage tanks; and a 35 percent cut to chemical safety research. Even infrastructure programs highlighted in the President's infrastructure plan would be cut significantly.

Chemical Safety Board

The Trump dirty budget eliminates the Chemical Safety Board. This is an agency that plays an essential role in responding to chemical disasters, including disasters caused by extreme weather.

Department of Energy (DOE)

The Trump budget shifts DOE priorities from clean energy to coal burning, from efficiency to exploitation, and from innovation to stagnation. The Trump dirty budget cuts $1.3 billion from Energy Efficiency and Renewable Energy programs, which will further delay efficiency standards, introduce uncertainty for business and cost consumers millions of dollars. Fossil Energy R&D would increase by more than $80 million, even though the market is moving away from fossil fuels and climate change is accelerating.

Additionally, the budget eliminates critical loan programs including the Advanced Technology Vehicle Manufacturing Loan Program (ATVM) and the Tribal Energy Loan Guarantee Program, while also zeroing out the Advanced Research Projects Agency (ARPA-E), which funds our nation's most innovative energy research.

The elimination of the Northeast Refined Product Reserve, created in the wake of Hurricane Sandy, would negatively affect the region. The one-time, fire sale of valuable public transmission assets owned by the federal Power Marketing Administrations (PMAs) and the Tennessee Valley Authority (TVA), will ultimately result in long-term increases for rural ratepayers. And, Republicans' budget cuts to funding for electrification and energy cost reduction on "Indian lands" will similarly increase costs for Native American consumers.

Unfortunately, the President is following the Republican playbook of rewarding polluters and old energy in the budget, rather than working in a bipartisan manner to support full funding for the programs that will put the United States on a path to a more sustainable, secure and prosperous energy future.

COMMUNICATIONS AND TECHNOLOGY

Federal Communications Commission (FCC)

Over the course of the last year, the FCC has impermissibly walked away from much of its role in protecting consumers, small business, and free speech. Whether it be choosing to no longer preserve the free and open internet or wiping away many of the protections that would promote a diversity of voices in media, the present Administration is retreating from many of the Commission's responsibilities. Following this inappropriate abdication of its duties, the President's budget proposal calls for a $21 million cut from the $354 million that the FCC is receiving in Fiscal Year 2018.

National Telecommunications and Information Administration (NTIA)

The President's budget is also proposing a $2.5 million cut to the NTIA from its Fiscal Year 2018 request of $36 million. NTIA plays a vital role in cybersecurity policy through its convening of industry and stakeholder entities to address pressing cybersecurity challenges. NTIA's role in overseeing federal spectrum is also critically important to the federal government carrying out its missions. Many of NTIA's other programs seek to increase broadband deployment, an issue of great importance in rural and urban areas of the country. The NTIA needs more funding, not less, to achieve its goals.

DIGITAL COMMERCE AND CONSUMER PROTECTION

Once again, the Trump budget would erode our roadways and fail to provide necessary oversight of financial products and services. Under this budget, Americans would continue to face vulnerability in their financial security and well-being on our nation's roads.

Consumer Financial Protection Bureau (CFPB)

The Trump budget sells consumers out by gutting the CFPB. Cutting the CFPB's budget from $630 million to $485 million is just one of many efforts to destroy the CFPB. The budget also undermines CFPB's ability to act as an independent watchdog by subjecting its funding to congressional appropriations.

National Highway Traffic Safety Administration (NHTSA)

As the agency responsible for automobile safety, we should aim to provide NHTSA with the resources we need to keep our roads safe. As we have seen through past investigations, the agency does not have the expertise or staff to implement the necessary safety and environmental regulations.

In 2016, more than 37,000 people were killed on U.S. roads, which was an increase of 5.6 percent from 2015. This trend is sadly not new, as the 2015 percent was a 7.2 percent increase over 2014 numbers. This trend is troubling, as cars are part of our everyday lives where we depend on them to get us where we need to go safely.

Instead of providing resources for NHTSA, the Trump administration has instead slashed its enforcement budget in half, and its research and rulemaking budget by a third. At a time when safety defects like the Takata airbag scandal continue to put consumers' lives at risk, handicapping NHTSA's ability to investigate defects is a dangerously bad decision. As Congress and industry are putting demands on NHTSA to write rules on new vehicle technologies, we need to provide NHTSA more resources to ensure that cars are safe and fuel efficient.

CONCLUSION

Budgets are about more than numbers and dollars – they are real-life expressions of priorities, of choices, and of values. These choices have an impact on the lives of millions of Americans, not just for the fiscal year each budget covers, but for future years and future generations.

The Trump Administration's Fiscal Year 2019 budget, sets the wrong priorities by further cutting access to needed health care; further jeopardizing our nation's public health; slashing our ability to keep our roads and consumers safe; and abandoning rural communities.

The Trump Administration has put forward a budget that will hurt the American people across the board. The Fiscal Year 2019 budget is another attack on working class families that will explode our nation's deficit. Democrats will continue to fight for better futures for American families.

Should you have any questions about this submission, please direct them to the Committee's Chief Counsel, Mr. Tim Robinson, at extension 6-5869.

Sincerely,

Frank Pallone, Jr.
Ranking Member

cc: The Honorable Greg Walden, Chairman

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

MAXINE WATERS, CA, RANKING MEMBER

March 8, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Womack,

Pursuant to section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 632(d)) and House Rule X, clause 4(f)(1), I am submitting the attached views and estimates of the Committee on Financial Services on the Fiscal Year 2019 Budget Resolution. The Committee on Financial Services voted 32 – 25 on March 6, 2018 to transmit the views and estimates with amendments to the Committee on the Budget. Dissenting views are also attached.

I trust these views and estimates will provide valuable guidance to your Committee as you prepare the budget resolution. Please feel free to contact me or my staff should you have any questions or concerns.

Sincerely,

JEB HENSARLING
Chairman

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2019

Pursuant to applicable rules and laws, the Committee on Financial Services transmits to the Committee on the Budget the following views and estimates on matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2019 (FY19).

THE DODD-FRANK ACT

Regulatory Reform

The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), signed into law on July 21, 2010, was the most sweeping overhaul of the regulatory structure of our financial system in more than a generation. The Dodd-Frank Act made significant changes to the federal regulatory regime covering banking, securities, insurance, mortgages, systemic risk, and consumer protection, and mandated upwards of 400 separate rulemakings.

Funding Level: N.A.

Committee's View: The Committee remains gravely concerned that the Dodd-Frank Act has failed to achieve its proponents' stated goals of promoting the financial stability of the United States, ending "too big to fail" and taxpayer bailouts, and protecting consumers. Instead, the Committee believes that the Dodd-Frank Act has endangered taxpayers and our economy by enshrining "too big to fail" in statute, creating endless new regulatory mandates from Washington that have resulted in fewer and more expensive financial products and services, increased moral hazard in markets by failing to address the true causes of the financial crisis, and hampered economic growth. The Committee has advanced numerous legislative proposals throughout the 115th Congress, including a comprehensive regulatory reform initiative, H.R. 10, the Financial CHOICE Act, to replace the failed aspects of the Dodd-Frank Act with free-market alternatives that end bailouts once-and-for-all, restore market discipline, ensure that the financial system is more resilient, pare back unnecessary and burdensome regulations, encourage capital formation and economic growth, and protect consumers by preserving financial independence and consumer choice. The Financial CHOICE Act also subjects the Federal Reserve's prudential regulatory activities – along with those of the other federal financial regulators – to the congressional appropriations process, handing the people's elected representatives an important tool with which to hold these bureaucracies accountable and achieve greater transparency in government operations. In that regard, the Committee has favorably reported to the House numerous bipartisan legislative measures to amend the Dodd-Frank

Act or provide regulatory relief. For example, the Committee favorably reported to the House H.R. 1116, the TAILOR Act, by a vote of 39-21, which would require federal financial regulatory agencies to: (1) tailor any regulatory actions so as to limit burdens on the institutions involved, with consideration of the risk profiles and business models of those institutions; and (2) report to Congress on specific actions taken to do so. Another example is , H.R. 2121, the Pension, Endowment, and Mutual Fund Access to Banking Act, which the Committee favorably reported to the House by a vote of 60-0, which would direct the federal banking regulators to exclude, for purposes of calculating a custodial bank's supplementary leverage ratio, funds of a custodial bank that are deposited with a central bank. A third example is H.R. 4061, the Financial Stability Oversight Council Improvement Act of 2017, which the Committee favorably reported to the House by a vote of 45-10 and would require the Financial Stability Oversight Council, to consider the appropriateness of imposing heightened prudential standards on non-banks as opposed to other forms of regulation to mitigate identified risks to U.S. financial stability. The Committee disagrees with the Congressional Budget Office (CBO) scores received for each of these measures and requests that the FY19 Budget Resolution provide the necessary funding to resolve the costs associated with these bills.

Orderly Liquidation Authority

The Orderly Liquidation Authority, established under Title II of the Dodd-Frank Act, gives the Federal Deposit Insurance Corporation (FDIC) the authority to resolve financial institutions whose failure government officials believe might pose a threat to the financial stability of the United States.

Funding Level: N.A.

Committee's View: The Committee continues to have strong objections to the Dodd-Frank Act's Orderly Liquidation Authority and the proposed manner in which such authority would be implemented. Specifically, the Committee rejects the notion that taxpayers are protected from future bailouts by the Orderly Liquidation Authority, under which the FDIC may borrow from the Treasury to capitalize an "Orderly Liquidation Fund" to be used to pay off the creditors of a failed firm. The Committee believes the Orderly Liquidation Authority thus perpetuates the government guarantee enjoyed by creditors during the recent financial crisis, which entrenched the "too big to fail" problem and placed taxpayers on the hook for multi-billion dollar bailouts of large financial institutions. Accordingly, the Committee supports replacing the Orderly Liquidation Authority with established bankruptcy procedures, wherein shareholder and creditor claims are resolved pursuant to the rule of law rather than the arbitrary discretion of regulators. Although proponents of the Orderly Liquidation Authority point to provisions in Title II which authorize the FDIC to recoup costs from large financial institutions through *post hoc* assessments, the CBO has estimated that repealing Title II—as was included in the Committee reported, and House-passed Financial CHOICE Act – would achieve savings of $14.5 billion between fiscal years 2018 and 2028.

Office of Financial Research

Title I of the Dodd-Frank Act established the Office of Financial Research (OFR), within the Treasury Department, to support the Financial Stability Oversight Council (FSOC) in fulfilling its duties to identify and respond to risks and emerging threats to the financial stability of the United States. Thus, the OFR collects information and standardizes data for the FSOC and other financial regulatory agencies, performs applied and long-term research, and develops tools for risk measurement and monitoring.

Funding Level: The OFR receives its funding from outside of the congressional appropriations process through assessments levied on large financial companies. The Treasury Secretary's "FY 2018 Congressional Justification for Appropriations and Annual Performance Report and Plan," indicates that the OFR's funding level will drop by 25 percent, from an estimated $101 million in 2017 to $76 million in 2018.[1]

Committee's View: The Committee remains concerned about the scope, redundancy, and potential for misuse of the OFR's powers as well as Congress's limited oversight of the OFR and its funding. There are also concerns related the OFR's workplace culture, and allegations of mismanagement with respect to the direction and leadership of the agency that have resulted in low employee morale. Furthermore, there are as many as 20 other federal divisions, sections, departments, centers, committees, offices, and bureaus that are capable of collecting or analyzing data that can be used by policymakers to assess risks to the financial system or the broader economy. Several of these entities have missions and capabilities that are virtually indistinguishable from OFR's. The previously mentioned, H.R. 10, the Financial CHOICE Act, eliminates the OFR and the Committee intends to advance similar legislation in this Congress.

CONSUMER FINANCIAL PROTECTION BUREAU

The Consumer Financial Protection Bureau (CFPB) is a federal agency created by the Dodd-Frank Act to regulate providers of credit and other consumer financial products and services. The Dodd-Frank Act confers upon the CFPB Director a broad mandate that includes consumer protection functions transferred from seven different federal agencies, and the authority to write rules, supervise compliance, enforce all consumer protection laws and regulations other than those governing investment products regulated by the Securities and Exchange Commission (SEC) or the Commodity Futures Trading Commission (CFTC.)

[1] Data source: "Resource Data Table," p. 271, https://www.treasury.gov/about/budget-performance/CJ18/FY%202018%20Treasury%20CJ%20FINAL.PDF

Funding Level: The CFPB does not receive appropriations; instead, it draws its funding from a defined portion of the combined earnings of the Federal Reserve System, adjusted annually for inflation. For FY19, by statute the CFPB may receive up to $663 million. The CFPB's budget authority is further enhanced by unobligated balances brought forward from prior fiscal years.

Committee's View: Although established within the Federal Reserve System, the Dodd-Frank Act makes clear that the CFPB is an "independent bureau" and assigns no role to Congress or the Federal Reserve System to oversee either its budget or use of funds. The effect of the CFPB's unorthodox budgetary treatment is that every dollar it draws directly reduces the Federal Reserve System's annual remittances to the Treasury, thus lowering the amount by which such remittances may be used to decrease the federal deficit.

The Committee continues to believe that the CFPB's structure and funding make it uniquely unaccountable to the President, the Congress, and the American people. History shows that agencies shielded from accountability are prone to abuse their authority, and the CFPB is no exception. While the CFPB, under Acting Director Mulvaney, has imposed a temporary regulation and hiring freeze, and ordered a review of active investigations and lawsuits, the Committee will continue to advance legislative proposals, such as H.R. 10, the Financial CHOICE Act, to enhance accountability and greater transparency at the CFPB. As part of these efforts, the Committee continues to seek reforms to the CFPB's operations and structure, including subjecting the CFPB to congressional appropriations process, and reforming the CFPB's statutory mandate to ensure that it takes into account, and seeks to promote, robust market competition. These efforts parallel the CFPB's FY2018-FY2022 Strategic Plan, which establishes the CFPB's mission, strategic goals, and strategic objectives. The Strategic plan refocuses the CFPB's mission on regulating consumer financial products or services under existing federal consumer financial laws, enforcing those laws judiciously, and educating and empowering consumers to make better informed financial decisions.

SECURITIES AND EXCHANGE COMMISSION

The SEC's three-part mission is to (i) protect investors; (ii) maintain fair, orderly, and efficient markets; and (iii) facilitate capital formation. The Chairman of the SEC sets the agenda for the agency. The five SEC commissioners, with the support of the SEC staff, set SEC policy by interpreting the Federal securities laws, proposing new rules as warranted by market developments or Congressional mandates, amending existing rules, and overseeing SEC enforcement actions.

Funding Level: Pursuant to the FY18 Annualized Continuing Resolution, the SEC's current budget authority for is $1.631 billion. When the SEC accounts for its Reserve

Fund, created under Section 991 of the Dodd-Frank Act, the SEC's FY18 spending authority is $1.681 billion. By law, the SEC has the authority to carry over unspent funds from the previous fiscal year, and pursuant to this authority, the SEC carried over $25 million of its $1.631 billion budget authority from FY17. The SEC also can deposit up to $50 million in FY18 to its Reserve Fund and may obligate this full amount in the same fiscal year. Thus, combined, the SEC's total spending authority for FY18 is $1.681 billion.

Committee's View: The SEC's current spending authority of $1.681 billion represents an amount 57 percent greater than what Congress obligated to the SEC for FY10— the year of the Dodd-Frank Act's enactment. It also constitutes an amount that is 86 percent—or $776 million— higher than what Congress obligated to the SEC a decade ago for FY08.

Under the previous Administration, the SEC expended thousands of man-hours and tens of millions of dollars in pursuit of Dodd-Frank Act mandates that had little to do with actual investor protections, promulgate rules on political and social issues unrelated to the causes of the financial crisis that only will serve to distract investors from the disclosure of truly material information. The Committee was encouraged that the SEC's FY18 budget request did not seek an increase over its FY17 funding. Further, the SEC, under the current Administration, has broadened the focus of its resources to better fulfill its three-part mission, particularly with respect to capital formation. The current Administration also inherited an information technology (IT) system at the SEC that is replete with cybersecurity risks.

For FY19, the SEC has requested $1.658 billion of budget authority for operations—an increase of 3.5 percent as compared to its FY18 request, with the increase in expenses offset by matching collections of fees on securities transactions. This does not include the anticipated carryover of $25 million from FY18, which would increase the proposed FY19 obligations for SEC operations to $1.683 billion. It also does not include the potential obligation of up to $50 million from the Reserve Fund. Finally, it excludes an estimate of $37.2 million for costs associated with relocating the New York regional office.

While the Committee is cautious of further budget increases in light of the degree to which the SEC's budget authority has increased over just the most recent decade, a substantial portion of the requested increase for FY19 can be attributed to IT and Cybersecurity. The SEC must address the protection of the sensitive data that the SEC maintains in its systems, as made clear by the disclosure last year that hackers breached the SEC's EDGAR database and the two GAO reports that indicated cybersecurity concerns were not adequately addressed during the prior Administration. The budget request also accounts for a removal of the current hiring freeze for the purpose of adding certain full-time positions, including a Chief Risk Officer, new personnel to focus on capital formation objectives, and others that will support two new enforcement priorities—the Retail Strategy Task Force and the Cyber Unit. Nonetheless, as in past years and considering that the SEC anticipates as part of its FY19 budget authority a recovery of $25 million of prior fiscal year obligations (and anticipated the same for FY18), the Committee rejects the idea that the only way to achieve these improvements and modernizations within the SEC is to spend a substantial amount of additional money. Further, the Committee continues to be concerned about both the SEC's ability to carry-over unspent funds and the SEC's Reserve Fund. The Reserve Fund, which is authorized to carry a balance of up to $100 million, is supplemental funding that the SEC can access without congressional approval; eliminating it would generate significant budget savings for taxpayers and restore appropriate oversight.

Throughout the 115th Congress, the Committee has advanced and will continue to advance legislation to reform the SEC's operations and structure. For example, the Financial CHOICE Act would modernize the SEC's operations and structure to eliminate inefficiencies and eliminate the SEC's Reserve Fund. The Committee will also continue to advance legislation to facilitate capital formation. For example, in 2017, the Committee favorably reported to the House H.R. 4267, the Small Business Credit Availability Act, by a vote of 58-2. This legislation would modernize the regulatory regime for business development companies (BDCs), fill a lending vacuum and provide much-needed credit to small and middle market companies, thereby generating economic growth. The Committee disagrees with the CBO's prior estimates on similar BDC modernization legislation and requests that the FY 19 Budget Resolution provide the necessary funding to resolve the costs associated with this legislation, if any, once CBO provides its estimate for H.R. 4267.

GOVERNMENT SPONSORED ENTERPRISES

The Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, are government-chartered public companies that purchase mortgages from lenders and package them into mortgage-backed securities, which they guarantee and sell off to investors. The GSEs have been in conservatorship under the auspices of their regulator, the Federal Housing Finance Agency, since their financial collapse in September 2008.

Committee's View: More than nine years have passed since the bursting of the housing bubble and the GSEs' financial implosion, and the Committee remains extremely concerned about the continued risk that the GSEs pose to taxpayers, especially through their expanded activities and the further consolidation of their dominant market share. Despite recent improvements to their corporate balance sheets, the GSEs' model is inherently flawed and unsustainable without taxpayer support. Accordingly, the Committee continues to support legislative initiatives to wind down the GSEs' operations, repeal their charters, and replace their failed business model with a sustainable, private housing finance system that protects taxpayers, enhances consumer choice in mortgage financing, encourages private sector investment and innovation, and eliminates moral hazard. CBO has previously estimated that gradually winding down the GSEs would produce significant taxpayer savings and decrease direct spending by almost $6.7 billion over the next ten years.

In the interim, the Committee urges Congress to adopt a realistic budget treatment of the assets and liabilities of the GSEs. Doing so includes preventing the misuse of the proceeds of the guarantee fees charged by the GSEs to investors; such funds are an important risk mitigation tool to better protect the GSEs and taxpayers from future losses and should not be diverted to finance unrelated government programs or initiatives. Additionally, the Committee strongly recommends that the Office of Management and Budget (OMB) move the GSEs to an "on budget" accounting standard, as CBO has already done, to provide a more transparent accounting of their true impact on the federal budget. The Committee intends to advance legislation to reform the nation's housing finance system in the 115th Congress.

Risk Transfers

It is the Committee's view that Federal agencies and departments that hold credit, guarantee, or insurance risk that exposes the taxpayer to potential losses should explore and, to the extent practical, employ risk transfers to the capital and reinsurance markets. De-risking federal programs by transferring risk can help mitigate the real world impact of potential losses from both significant events during ordinary economic conditions (e.g., a wave of housing foreclosures) and unanticipated or extraordinary events (e.g., damage from hurricanes or flooding). Risk transfers have successfully been demonstrated to minimize taxpayer exposure, promote price transparency and enhance market liquidity. Both the Federal Housing Finance Agency and the National Flood Insurance Program currently employ and have benefitted from the use of risk transfers, which shows the ability of different federal agencies to work with the private sector to manage their risks and mitigate potential losses embedded in their portfolios.

FEDERAL RESERVE SYSTEM

In 1913, Congress created the Federal Reserve System to serve as the nation's central bank. It performs several functions in our economy, and its Board of Governors is responsible for supervising and regulating a variety of financial institutions and activities, as well as conducting monetary policy pursuant to a statutory mandate to "maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates."

Funding Level: N.A.

Committee's View: The Committee remains concerned about the expanded regulatory mission of the Federal Reserve and the inability of the Board of Governors to articulate clear guidance for how it plans to conduct monetary policy. Over-reliance on the Federal Reserve to manage virtually every aspect of the U.S. economy runs the risk of compromising the Federal Reserve's independence and placing taxpayers at greater risk in the event that regulatory failure by the Federal Reserve contributes to another significant or prolonged economic downturn. Accordingly, the Financial CHOICE Act strengthens the Federal Reserve's ability to achieve monetary policy outcomes consistent with its statutory mandates, bring more transparency to the Federal Reserve's efforts to achieve those mandates, and protect the Federal Reserve from undue influence by the Executive Branch in setting monetary policy. The Committee believes that achieving a more stable and rules-based monetary policy would yield much larger benefits for taxpayers and our entire economy. In addition, the Financial CHOICE Act promotes greater accountability at the Federal Reserve as it would fund the non-monetary activities of the Federal Reserve's Board of Governors and the 12 regional banks through the congressional appropriations process. The Committee believes that the mandate of achieving the goal of maximum employment pertains to all communities in the United States. The Federal Reserve is expected to use its resources to achieve maximum employment in all communities for the betterment of our economy as a whole.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Established in 1965, the Department of Housing and Urban Development (HUD) is a cabinet-level agency that has principal responsibility for implementing and overseeing federal housing assistance programs. HUD administers a wide variety of programs, such as rental assistance programs for lower-income families, homeless assistance programs, community development programs, the Federal Housing Administration's (FHA) mortgage insurance programs, the Government National Mortgage Association's (Ginnie Mae) mortgage-backed securities program, fair housing programs, and programs that aid community and neighborhood development and preservation.

Committee's View: The Committee intends to explore innovative proposals and ideas that seek a better way to meet HUD's mission "to create strong, sustainable, inclusive communities and quality affordable homes for all." In the past, that mission was measured by how many programs were created and how many taxpayer dollars were appropriated. Yet, 52 years later and more than $1.655 trillion in total lifetime appropriations, it is an open question whether HUD has truly met that mission. HUD remains overly bureaucratic and fails to set priorities that define its mission. The Committee believes that HUD needs an organizational overhaul and a modernized mission to fight the root causes of poverty. HUD should be restructured to optimize the alignment of its various divisions and consolidate overlapping and duplicative programs, as well as to ensure the efficient utilization of its human capital. Such reforms would both result in greater budget savings for taxpayers and allow for assistance to be targeted to individuals with the most acute need. The Committee intends to review two ideas that could significantly improve how HUD meets its mission to improve lives and communities in a cost-effective way. The Committee also understands that using funding efficiently does not only include the programs at HUD, but also includes the use of appropriated taxpayer funds for the procurement of interior décor for HUD's headquarters.

Enhancing Housing Choice Portability

The Committee intends to explore new policies that would enhance the housing choice voucher program. Currently, the Section 8 program provides housing assistance to over three million low-income families and individuals each year through two elements: tenant-based rental assistance and project-based rental assistance. Tenant-based rental assistance vouchers are portable subsidies that low-income individuals can use to offset part of their rent in the private market with any participating housing provider. By contrast, project-based rental assistance is a subsidy attached to a unit of privately-owned housing that houses low-income tenants; if the family moves, the subsidy remains with the unit of housing.

The Committee questions whether the current voucher program is effective in facilitating access for low income families to affordable housing, employment or education opportunities. The tenant-based rental assistance voucher program should be enhanced to encourage recipients of housing assistance to move to areas with greater opportunities. Testimony before this Committee highlighted previous proposals to develop a Housing Choice Voucher Mobility initiative with the goal of facilitating collaboration, encouraging Housing Choice Voucher program participants to move to lower-poverty areas, and expanding families' access to areas of economic opportunity. The Committee believes that changes in the Housing Choice Voucher Program would result in measurable metrics where the children of families using this enhanced mobility would have greater long-term economic and educational achievements, and thereby break the intergenerational dependence on government assistance. As part of its review, the Committee will also examine the conduct of landlords participating in the Section 8 Program and investigate HUD's oversight of landlord participants to ensure rules and regulations are being followed.

Public Housing Modernization

The Committee intends to explore new policies that modernize how public housing is managed and uses federal funds. Currently, there are approximately 3,800 public housing authorities that administer and maintain section 8 and public housing stock. This fragmented national system of state-chartered entities contributes to the lack of voucher portability and may further constrain individual choice and economic mobility. Moreover, the system, which was federally created in 1937 and last overhauled in 1998, has experienced significant regulatory burdens and a lack of innovation to match contemporary issues. Two programs—Moving To Work (MTW) and Rental Assistance Demonstration (RAD)—have sought to combine innovation and flexibility. However, these programs are not a panacea for overhauling a federally funded housing system that appears outdated.

Over the past two decades, despite the investment of tens of billions of dollars in the development and maintenance of public housing units, the quality of such units continues to deteriorate. The Committee recognizes that this trend is not sustainable and that new approaches to public housing are necessary, including the implementation of alternative means to finance affordable housing development. The Committee will investigate the impact of funding of Public Housing Authorities and seek ways to ensure capital repairs are made to improve the health and well-being of residents. To make more capital available to maintain and rehabilitate public housing, the Committee continues to support RAD. RAD permits public housing authorities to partner with local developers, property owners, and nonprofit organizations to preserve affordable housing units that would otherwise fall into disrepair, become uninhabitable, and eventually leave the affordable housing stock. When implemented properly, RAD could streamline HUD's rental assistance programs, increase resident choice, and improve resident mobility. Future enhancements of existing programs will also mean innovating beyond the government owned-and-operated public housing model towards new housing delivery models that harness the abilities of non-profits and other cost-effective service providers.

A significant component of the public housing delivery system involves small and rural communities. Of the approximately 3,883 public housing authorities that administer and maintain Section 8 and public housing stock, 1,486 agencies administer between 50-249 units or vouchers and are designated small agencies; 701 agencies administer between 1-50 units or vouchers and are considered very small. Combined, small and very-small public housing authorities, as defined by HUD, comprise 56 percent of the 3,883 public housing agencies, administrating six percent of the total number of units and vouchers funded by HUD. The Committee will review the impact of regulation on small and very-small public housing authorities and explore whether to provide regulatory relief in a way that eases compliance costs while ensuring that small and very-small agencies serve residents in an equitable and fair manner.

The Committee believes that HUD has a responsibility to quickly and efficiently disburse funding for natural disasters, especially the disasters that devastated the Southern United States and communities across the country in 2017. This would include adequate safeguards to ensure that funds are appropriately used to benefit the many citizens that were affected in Texas, Florida, Puerto Rico, the U.S. Virgin Islands, and California, and are still awaiting relief.

EXPORT-IMPORT BANK

The Export-Import Bank is an independent agency that provides taxpayer-backed export financing through various loan, guarantee, and insurance programs.

Funding Level: The Export-Import Bank receives $95.5 million in FY18 appropriations for administrative expenses and $5.7 million in FY18 appropriations for the Office of Inspector General

Committee's View: Given the Export-Import Bank's authorization through September 30, 2019, the Committee will continue to conduct rigorous oversight of its operations and governance to protect taxpayers from risk associated with the those operations, ensure it complements rather than supplants the private market, and eliminate waste, fraud, and abuse within or affecting the Export-Import Bank. Additionally, the Committee remains concerned that the application of government accounting standards under the Federal Credit Reform Act fails to fully account for the risks borne by the Export-Import Bank and supports the use of a more comprehensive accounting regime to determine the Export-Import Bank's cost to taxpayers.

MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks (MDBs) provide concessional lending and grants to the world's poorest countries and engage in non-concessional lending to low and middle-income creditworthy countries.

Funding Level: As passed by the House (H.R. 3354, 115th Congress)

- International Development Association: $658.66 million in FY18 appropriations
- Asian Development Fund: $47.39 million in FY18 appropriations
- African Development Bank (includes African Development Fund): $141.8 million in FY18 appropriations
- International Fund for Agricultural Development: $30 million in FY18 appropriations

Committee's View: In the past, the U.S. has determined the level of its support to MDBs through pledges made by the Treasury Department on behalf of the U.S. to international organizations, which are subsequently considered and funded by Congress through the appropriations process. The Committee notes that, relative to Congress's willingness to appropriate funds in support of the MDBs, the Administration has previously over-committed the United States in pledges to such entities. Therefore, the Committee recommends that the Administration refrain from making commitments that the U.S. is not prepared to fully fund.

In December 2016, the Obama Administration pledged $3.871 billion for the eighteenth replenishment of the World Bank's International Development Association (IDA-18), subject to approval by the following administration and the availability of appropriations. This level was subsequently lowered to $3.291 billion, representing a 15 percent reduction, in the Trump Administration's FY18 and FY19 budget. The Committee has been concerned by management deficiencies at the World Bank, including weak project implementation and insufficient prioritization of development results. As a result, the Committee favorably reported H.R. 3326, the World Bank Accountability Act of 2017, by a unanimous vote of 60 to 0, which codified the Trump Administration's reduced request and made a share of future IDA appropriations contingent on reforms. The House passed this legislation on January 17, 2018. The Committee urges Treasury to strongly advocate that governments receiving assistance from the MDBs refrain from human rights abuses and corrupt activities as a condition of continued funding. The Committee also believes that the MDBs should undertake rigorous program evaluations and forensic audits to ensure that U.S. taxpayer contributions are not squandered on ineffective initiatives.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) seeks to ensure the stability of the international monetary system and provides loans to countries that are experiencing actual or potential balance of payment problems. The IMF also provides technical assistance to low- and middle-income countries intended to help such countries effectively manage their financial affairs.

Funding Level: In FY16, an increase of U.S. quota in an amount equal to 40,871,800,000 Special Drawing Rights. (Congress also rescinded an equivalent amount from the IMF's "New Arrangements to Borrow" program, which is a set of credit arrangements between the IMF and certain member countries used to supplement IMF quota resources for lending purposes.)

Committee's View: The Committee will monitor the operations of the IMF's lending programs to ensure that Treasury is managing risk effectively and securing the timely repayment of taxpayer funds. The Committee urges the Administration to advocate for greater fiscal discipline and budget transparency in countries borrowing from the IMF.

COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES

The Committee on Foreign Investment in the United States (CFIUS) is a multi-agency panel chaired by the Secretary of the Treasury and charged with analyzing proposed foreign direct investment (FDI) to identify and, if possible, mitigate any threat to national security a proposed transaction might present. Exercising the authority provided by section 721 of the Defense Production Act of 1950, the President may, if a threat is identified and is unable to be mitigated by some change in a transaction, prevent consummation of a transaction or unwind one that has taken place. Congress last updated the CFIUS authorizing statute in 2007. CFIUS is currently facing increasing challenges, such as China's aggressive, state-driven industrial policy and its investments in critical U.S. technologies with potential military applications. As the volume of cases and the complexity of transactions before CFIUS continues to grow, the Committee, which holds primary jurisdiction over CFIUS, is examining the statute with an eye towards modernization.

Committee's View: While each agency that is a formal part of the CFIUS process, and any other agency with expertise in a particular transaction, contributes its own staff to the CFIUS analysis of a transaction, the Treasury Department performs a "ministerial" role of arranging meetings of staff and scheduling transactions for consideration, and thus has a particular need for staff assigned to CFIUS. Because Treasury's CFIUS work is spread across several mission areas and owing to the peculiarities of appropriating for Treasury's non-tax work, there is no identifiable budget line for CFIUS. Regardless of the outcome of efforts to modernize CFIUS, the Committee believes that resources need to be reprogrammed from other, less critical functions and instead devoted to the CFIUS process to ensure thorough scrutiny of covered transactions, that analysis is completed in a timely fashion, that mitigation agreements are effectively monitored and enforced, and that CFIUS maintains awareness of relevant non-noticed transactions. While the FY19 budget proposal makes clear that the President and Treasury are committed to a well-functioning and effective CFIUS process, the Committee believes that the commitment should be more specific in terms of financial and human resources even if no statutory update occurs, and that any CFIUS modernization will require more resources to ensure the process functions properly.

FIGHTING THE FUNDING OF TERRORISM

The Office of Terrorism and Financial Intelligence (TFI) coordinates the Treasury Department's efforts to stop the financing of terrorism, money laundering, and similar forms of illicit finance, principally through its Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN), but also through capacity-building efforts by the Office of Technical Assistance (OTA). As the major components within TFI, OFAC is responsible for administering U.S. sanctions against drug traffickers, human rights abusers, and rogue nations, while FinCEN receives, analyzes, and makes available to law enforcement data reported by financial institutions on activities that potentially indicate violations of the law.

Funding Level: The President's Budget requests $159 million for TFI, a $36 million increase from the 2017 enacted level. The Budget requests $118 million for FinCEN, a $3 million increase from the 2017 enacted level. The Budget also requests $25 million to proactively and strategically protect Treasury Information Technology systems that carry out TFI responsibilities.

Committee's View: The Committee appreciates the importance of robust diligence to fight the funding of terrorism and other financial crimes in a global and increasingly digital financial system. For that reason, in the 115th Congress, the Committee established a new Subcommittee on Terrorism and Illicit Finance to review the tools and policies to stop and block the illegal flow of funds. Additional TFI funding will enhance national security and allow Treasury to continue to apply maximum economic pressure to isolate rogue nations, such as North Korea, and to strengthen multilateral cooperation in the Persian Gulf with the build out of the Terrorist Financing Targeting Center in Saudi Arabia. The Committee supports responsible efforts to enhance FinCEN's ability to meet the new challenges posed by the growth of threats from North Korea, terrorist organizations, and drug trafficking organizations that are fueling the opioid crisis.

The Committee will examine ways to improve the allocation of resources within, and improve the operations of, TFI, including the Office of Intelligence and Analysis (OIA). The Committee will work to enact a multi-year authorization for FinCEN and would seek to do the same for TFI and OFAC if there is agreement to separate those accounts from the main Treasury funding account.

The Committee also fully supports the critically important job the Treasury's OTA does to enhance the capacities of public finance ministries and central banks in developing and transitioning economies to strengthen their public finances and safeguard their financial sectors. These efforts by OTA help strengthen ministries of finance, create more equitable and effective tax policies, develop means of public finance and government debt management, and assist with the development of anti-money laundering and counter terrorist financing regimes around the world. A government that builds effective public financial institutions and maintains effective oversight of private institutions can become a valuable partner in the global effort to combat terrorist financing. The Committee fully supports the OTA's mission in helping developing and transitioning nations establish the building blocks of a modern market economy.

STRENGTHENING, SIMPLIFYING, AND UPDATING THE BANK SECRECY ACT

The current anti-money laundering (AML) / countering the finance of terrorism (CFT) legal regime has seen only iterative changes since its inception, and is in need of reform in order to prevent undue regulatory burdens on financial institutions, and simultaneously promoting national security interests and deterrence of criminal activity through the financial system.

Committee's View: The Committee is considering changes to the Bank Secrecy Act (BSA) to address gaps in the AML/CFT regime. FinCEN's adoption of its Customer Due Diligence rule in May 2016 is recognition of the need to modernize the BSA and the Financial Action Task Force (FATF) in its mutual evaluation of the U.S.'s AML/CFT regime in December 2016 also recognized that some gaps still exist in the AML framework. The intended outcome of the proposed legislation to update the BSA under consideration by the Committee will be to ensure that the vast resources that U.S. financial institutions put towards AML/CFT efforts are both efficient and effective, and simultaneously enhance national security and contribute to law enforcement efforts to combat financial crime. In doing so, the Committee will address the compliance burdens of financial institutions and provide law enforcement with a more complete and detailed picture of illicit financial activity.

OFFICE OF MINORITY AND WOMEN INCLUSION

Federal financial agencies have undertaken several initiatives to promote greater economic opportunity within the financial services industry, including, but not limited to, Section 342 of the Dodd-Frank Act, which established Offices of Minority and Women Inclusion (OMWI) within various federal financial regulatory agencies.

Funding Level: Varied

Committee's View: The Committee wants economic opportunities for all and increased participation for under-represented populations in all aspects of the financial services industry. The Committee supports appropriate levels of funding for the Offices of Minority and Women Inclusion and other oversight efforts to eliminate illegal discrimination, including the documentation of discrimination at federal financial regulatory bureaus and agencies.

DEMOCRATIC VIEWS

The Following Represent The Views Of The Democratic Members Of The Committee On The Following Issues Consistent With The Concurrent Resolution On The Budget For Fiscal Year 2019.

March 6, 2018

Committee Democrats are committed to supporting policies that advance shared prosperity, ensure fair rules of the road, protect against fraud and abuse, and support our most vulnerable populations. These policies have been proven to lead to economic stability and opportunity, having been deployed successfully following the financial crisis under the Obama Administration. In fact, the economy has experienced the longest period of private sector job growth on record and wages are finally beginning to rise. And yet, more still needs to be done. The persistent economic disparities in this country demonstrate the need for public policies that promote fair treatment and equal opportunities for all Americans. This necessarily includes providing adequate funding to the Federal government agencies responsible for running and overseeing vital programs that benefit hardworking Americans and vulnerable families.

However, in the past year President Trump's and Congressional Republicans' reckless efforts to line the pockets of their Wall Street benefactors have led to significant harm for lower and middle income Americans, and especially the most vulnerable of us. President Trump has illegally appointed his budget director to tear down the Consumer Bureau from the inside, refusing to use its authority to hold bad actors accountable and allowing predatory lending to go unchecked. And, despite years of crying foul about the bold efforts of Democrats to stop a collapse of our economy, Republicans have now piled on $1.5 trillion to the national debt with their tax scam legislation, handing corporate elites a windfall and leaving hardworking taxpayers and their children to pick up the tab. Using what was previously a rarely used law, the Congressional Review Act, Republicans have now reversed 15 important safeguards put in place by the Obama Administration, including one that preserved the constitutional rights of Americans who have been harmed by financial institutions to join together and have their day in court, and another that combated corporate corruption by requiring oil companies to disclose their payments to foreign countries. Ultimately, predatory financial institutions and bad actors on Wall Street reap the gains as these rules designed to prevent abuse are rolled back, and Americans on Main Street lose.

Similarly, President Trump's 2019 budget proposal would be especially damaging for hardworking families, seniors, veterans, and persons with disabilities, and would reduce affordable housing and community and economic development opportunities for people and communities across the nation. Trump's proposal would cut the U.S. Department of Housing and Urban Development's funding by 24.1 percent and would eliminate new funding to increase the supply of affordable housing at a time when homelessness is on the rise and there is a deep shortage of affordable housing. Trump's proposal also shamefully eliminates funding to repair and maintain public housing, essentially abandoning efforts to provide safe, decent, and affordable housing for millions of Americans and their children.

Democrats are also concerned that small businesses and the communities they support in rural and urban areas will be harmed by the President's proposal through cuts to the Community Development Block Grant program and the Community Development Financial Institutions Fund. Trump also proposes to cut funding for the job-creating Export-Import bank, further endangering our nation's workers, small businesses and manufacturers.

The regressive agenda advanced by the Trump Administration, which is strongly echoed throughout the Majority's views and estimates (Majority's Views) of the budget for fiscal year (FY) 2019 would jeopardize the economic progress realized during the Obama Administration, and should be soundly rejected. Committee Democrats offer this alternative view of the FY 2019 budget to give voice to every individual and family that strives to live the American dream.

THE NEED FOR HUD AND USDA HOUSING PROGRAMS

It is well established that housing serves as a foundation for improving a person's quality of life, from the education and health outcomes of children, to seniors aging in place. Research also has demonstrated that access to affordable housing stimulates the national housing market and overall health of our country's economy. These are measurable outcomes of Federal housing assistance that are well-documented, and contrary to the rhetoric espoused in the Majority's Views. Numerous studies have also shown that it is more costly to taxpayers to allow chronic homelessness to persist than it is to provide supportive housing. Other studies have found that a lack of affordable housing depresses local economies. Further, given that demographic growth in households will largely be driven by minorities, the Urban Institute rightly concludes that failing to address the homeownership gap between white and minority households will have negative implications across America's housing market.

When it comes to federal affordable housing programs, funding levels have real consequences for millions of children and families. It is, therefore, essential that Congress fully fund the United States Department of Housing and Urban Development (HUD) and the United States Department of Agriculture's (USDA's) affordable housing programs. In contrast, this Administration's shameful FY 2019 budget proposal for HUD and USDA housing programs would seriously undermine the progress we have made to date in alleviating poverty for millions of American households. This Administration's austerity measures to eliminate or severely limit funding for these important programs would continue to hamper their reach, leaving less than one in five families eligible for rental assistance actually able to receive it.

In the richest country in the world, Democrats find it simply unconscionable that so many families struggle to access safe, decent, and affordable housing.

HUD'S FEDERAL HOUSING ADMINISTRATION

The Federal Housing Administration (FHA) continues to play a vital role in promoting long-term stability in the housing market and expanding access to homeownership for creditworthy, first-time homebuyers, low- and moderate-income households, and minority households. In accordance with its counter-cyclical role, the FHA's footprint expanded in response to the housing crisis, and receded appropriately as the housing market recovered.

The FHA made a strong recovery since the housing crisis under the previous Administration's leadership. According to the most recent independent actuarial analysis of the FHA's Mutual Mortgage Insurance Fund (Fund), it had a total economic net worth of $25.6 billion, and the Capital Ratio remained above the statutory minimum for the third straight year. Further, the serious delinquency rates for FHA loans have continued to decrease on a year-over-year basis for the past few years. However, despite the FHA's strong financial health this Administration has continued its arbitrary suspension of planned reductions to FHA premium rates that would have saved new FHA borrowers an average of $500 in the first year alone. Premiums were increased to record high levels in response to losses incurred by the housing crisis, but with the greatly improved health of the Fund, these levels are no longer justifiable and should be responsibly reduced.

HUD'S RENTAL ASSISTANCE PROGRAMS

HUD's rental assistance programs are responsible for providing stable housing for over 10 million individuals in nearly 5 million rental units across the country. Without these important federal subsidies, millions of current and future households would be severely rent-burdened or homeless. According to the Center on Budget and Policy Priorities' analysis of 2012 data, Federal rental assistance kept 4.1 million people, including 1.4 million children, out of poverty—a point the Majority's Views ignore in their incorrect claim that federal housing programs like the Section 8 Housing Choice Voucher program are not effective.

Democrats categorically reject proposals from this Administration to increase the financial burdens on current HUD-assisted residents, including seniors, persons with disabilities, veterans, and families with children. Cutting housing benefits for existing households would not lead to an increase in earnings for families; rather, cutting housing benefits would instead lead to an increase in homelessness and housing instability. Increasing access to affordable housing is the most proven and cost-effective strategy for increasing economic mobility and reducing childhood poverty. Arbitrary limitations on tenancy or dramatic increases in rents must not be allowed.

Democrats also reject this Administration's proposal to severely decrease funding for public housing, including the elimination of the Public Housing Capital Fund—the only source of funding dedicated to the maintenance and modernization of public housing. Public housing is home to 1.1 million families, with nearly sixty percent of families headed by a person who is elderly, disabled, or both, and more than forty percent of public housing families having school-aged children in the home. Proposing a near-elimination of funding for public housing is grossly irresponsible and will harm the very people HUD is charged with serving, at a time when safe, decent, and affordable housing in the private market is all but non-existent for extremely low-income households.

To that end, Democrats support robust funding for HUD's rental assistance programs to fully meet the housing needs of all low-income American households, including H.R. 3160, *The Public Housing Tenant Protection and Reinvestment Act,* which seeks to preserve public and assisted housing and transform extremely impoverished neighborhoods. This proposal would authorize full funding for public housing and provide additional funding to address the backlog of capital needs. It would also provide a loan guarantee for public housing agencies to attract outside investment into public housing units, and authorize a grant program that focuses on revitalizing the most distressed public housing units. Since Congress has not provided sufficient resources to keep up with aging infrastructure of public housing, many public housing authorities around the country need to address building infrastructure needs in order to improve resident health and safety. This underscores the importance of considering proposals such as this one. Further, Democrats maintain that public ownership of public housing guarantees long-term affordability of the properties and provides key benefits to residents that the private sector most likely would not be able to replicate.

HUD'S HOMELESS ASSISTANCE PROGRAMS

Democrats believe that it should be a priority to end homelessness in this country, and are deeply disappointed by the complete omission of this important issue in the Majority's budget views. Supporting a functional end to homelessness in this country starts with robust funding for HUD's McKinney Vento Homeless Assistance Grants programs. After Democrats spearheaded the passage of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act in 2009, the

United States Interagency Council on Homelessness (USICH) put forward the *Opening Doors* strategy, the first-ever Federal strategic plan to prevent and end homelessness. Under USICH's leadership, we have seen overall declines in chronic homelessness, veterans homelessness, and family homelessness since 2010. However, according to HUD's most recent point-in-time count, there were still over 550,000 people experiencing homelessness on any given night in January 2017, with homelessness increasing nationwide for the first time in seven years. Most troublingly, this report also found that twenty percent of the homelessness population, or 114,829 people, are children experiencing homelessness, and over seven percent are veterans. Democrats are concerned that the Majority continues to ignore the needs of the homeless by refusing to hold a single hearing on the topic and refusing to consider Democratic bills that provide real solutions for the homeless.

Democrats fully support the goals of ending homelessness in America set forth in *Opening Doors*, and recognize that increased funding is necessary to achieve those goals, in addition to effective partnerships across all sectors and the effective targeting of funds. To that end, Democrats have introduced *The Ending Homelessness Act*, H.R. 2076, to provide an additional $13 billion in mandatory funding over five years to several different Federal programs and initiatives. The proposal would fund over 400,000 units of housing to effectively end homelessness in this country. The proposal would also permanently authorize USICH, which is set to expire at the end of this fiscal year, in order to continue to promote effective coordination and efficient use of homelessness funding, and to ensure that the progress we achieve is sustained for years to come.

HUD'S HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

Democrats are appalled that this Administration's budget request eliminates funding for key housing and community development programs, including the Community Development Block Grant (CDBG) program, the Home Investment Partnerships program (HOME), the National Housing Trust Fund (HTF), the Self-Help Homeownership Opportunity Program (SHOP), and the Section 4 Capacity Building program. Democrats reject the elimination of funding for these programs under the Administration's budget request. These programs are critical sources of funding to communities across the country and provide flexible support to develop affordable housing, finance small businesses, revitalize commercial corridors, and help address local healthcare, childcare, education, and safety needs. Elimination of these programs would effectively abandon the longstanding federal role in strengthening low- and moderate-income communities in rural, suburban, and urban communities alike.

Despite Republicans' emphasis on the importance of private sector participation in housing development, they continue put forth proposals to eliminate or reduce funding for HUD programs that have a record of successful public-private partnerships in the creation of affordable housing. For example, CDBG leverages $4.07 in private funding for every $1.00 of CDBG funding invested, and has created or retained over 387,000 jobs between FY 2015 and FY 2016 alone, benefiting over 42 million people through affordable housing and public services. The HOME program has also supported nearly 1.6 million jobs and generated $100.7 billion in local income since its inception, while building over 1.2 million units of affordable housing since 1992.

Democrats remain concerned with the Majority's constant attacks on the HTF and the distinct purpose that it serves. The HTF, which received its first round of funding in early 2016, is currently the only Federal program that specifically targets affordable housing production for extremely low-income (ELI) households. This is particularly important in light of the severe shortage of 7.4 million affordable and available rental units for the country's 11.4 million ELI households.

Democrats will continue to support disaster recovery efforts in communities affected by natural disasters, which includes robust funding for HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) program. The omission of any discussion in the Majority's Views regarding this important issue is deeply alarming, especially in light of the tremendous needs of disaster victims affected by the 2017 hurricane season.

Democrats also remain concerned about the health outcomes of families and children living in federally assisted housing units containing mold, lead, and other health hazards. Democrats will continue to support much needed funding for programs that help to eliminate such health hazards from low-income housing, including the Public Housing Capital Fund and the Healthy Homes and Lead Hazard Control program.

FAIR HOUSING

HUD plays a central role in fighting discrimination in housing and promoting fair housing practices, primarily through its implementation and enforcement of the Fair Housing Act. Democrats are deeply disappointed that the Majority's Views do not mention the importance of fighting housing discrimination, and strongly condemn this Administration's efforts to undermine HUD's role in ensuring fair housing for all people. For example, this Administration has illegally attempted to delay the Small Area Fair market Rent rule, which was designed to reduce segregation and give Section 8 Housing Choice Voucher recipients more choices about where to live. As a federal court ruled in December 2017, HUD failed to provide sufficient justification for its arbitrary decision to delay this rule.

Democrats also strongly condemn the Secretary's similarly arbitrary decision to delay implementation of the Affirmatively Furthering Fair Housing (AFFH) rule, which is a key component of the Fair Housing Act. Under the AFFH provision, the Fair Housing Act requires the federal agencies and recipients of federal housing funds to take proactive steps to further fair housing in order to help remedy years of government-supported segregation and inequality. Unfortunately, the AFFH provision laid dormant for years due to ineffective implementation. For example, a GAO report from 2010 highlighted several weaknesses and inadequacies in HUD's implementation of AFFH. Under the previous Administration, HUD finalized a new AFFH rule that provided greater clarity to jurisdictions on how to identify and combat barriers to fair housing opportunity, and provided jurisdictions with better data to help them analyze local housing needs and ultimately equip them to make smarter local planning decisions. In particular, the rule supports both investment in high poverty areas and in opportunities for mobility. This AFFH rule was a landmark development in fair housing in America that this Administration has moved to block with one fell swoop.

NATIVE AMERICAN HOUSING

Democrats continue to support the fundamental recognition of tribal self-determination under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). We support robust funding for the NAHASDA programs, including the Native Hawaiian housing programs, and we continue to oppose Republican efforts to eliminate the Native Hawaiian housing programs. We also support the reauthorization of these programs, without the inclusion of provisions that would be harmful to the low-income households that benefit from them.

USDA'S RURAL HOUSING PROGRAMS

Democrats understand the acute housing needs of rural communities and households, and the unique housing challenges that they face. Democrats believe that the USDA's Rural Housing Service (RHS) plays a distinct and critical role in the Federal government's housing assistance strategy, and in the housing market overall. Thus, we strongly oppose the completely elimination of several key RHS programs under this Administration's budget request, including the Multi-family Housing Revitalization program, the Section 502 Direct Loan program, the Mutual and Self-help Housing Grants program, the Farm Labor Housing Grants and Loans programs, and the Very Low Income Housing Repair Grants program. Again, it is deeply disappointing that the Majority neglected to include any mention of USDA housing programs in its Views.

Democrats are committed to providing the necessary funding for the preservation of aging properties under the Section 515 Rural Rental Housing Loan program. An increasing number of loans in this program are projected to mature in the coming years, which poses the risk of losing deeply affordable rental housing in rural communities, as well as the risk of displacing vulnerable families. In response to similar issues in the HUD context, Congress acts annually to provide vouchers for tenants to ensure they are not displaced. However, in the RHS context, Congress has not provided nearly enough vouchers for the projected number of households who could be affected by such displacement. Congress should consider holistic solutions to preserve these properties and avoid displacement at all costs.

Democrats are encouraged by improvements made by RHS to better project funding needs under its Section 521 Rental Assistance grant program, but are concerned that RHS is failing to re-lease vouchers that cycle out of the program when the families that used them no longer need assistance. Instead of allowing these vouchers to disappear, RHS should return to its practice of actively re-leasing these vouchers to families waiting for such assistance.

GOVERNMENT SPONSORED ENTERPRISES

Democrats believe that a robust mortgage market is required for a healthy, growing middle class and broad economic growth. The secondary mortgage market plays a significant role in ensuring the health of the financial system, and efforts to reform that market should: maintain affordable, long-term fixed-rate mortgage products; protect taxpayers by paying for an explicit government guarantee; provide stability and liquidity, and prevent disruptions during a transition to a new finance system; support a broad-based strategy for promoting access to affordable housing, including affordable rental housing; and ensure that all financial institutions can equally participate in the market. Congress should reject all efforts to reform our housing finance markets that do not meet these key principles.

Given the Majority's inability to pass housing finance reform over the seven years that they have controlled the House, Democrats applaud the sound actions taken by the Federal Housing Finance Agency (FHFA) to expand responsible access to sustainable homeownership and affordable rental housing while still protecting the taxpayer. Democrats commend FHFA Director Mel Watt's decision, which was made in conjunction with Treasury Secretary Mnuchin, to allow the GSEs to retain a small capital reserve amount of $3 billion each to ensure that the GSEs have sufficient capital to absorb small quarterly fluctuations in the future. Although the GSEs will need additional draws from Treasury this year, this is a direct result of the Republican tax legislation and has nothing to do with the financial strength of the GSEs. Thus, Democrats support Director Watt's decision to direct the GSEs to continue making contributions to the Housing Trust Fund (HTF) and Capital Magnet Fund (CMF). The GSEs are in strong financial health, and we simply cannot afford to arbitrarily suspend funding for these critical programs in the midst of the current rental housing crisis. In fact, Fannie Mae reported $2.5 billion in net income for 2017, and Freddie Mac reported $5.6 billion in net income for the same year. Further, the GSEs have returned $278.8 billion to the United States Treasury and taxpayers, $91 billion more than the Treasury provided during the crisis.

FHFA and the GSEs currently promote access to affordable housing through several mechanisms, including the Duty to Serve mandate, the affordable housing goals, funding for the HTF and CMF, responsibly underwritten low down payment products, and limitations on risk-based pricing. Each of these mechanisms plays a distinct role in a broad-based strategy to promote access to affordable housing, particularly for low-income renters and underserved borrowers. For example, the HTF is the only federal program that supports the building and preservation of affordable rental housing that is targeted to the lowest income households. With nearly half of all renters in America burdened with unaffordable rents, these resources are critical to helping to reduce the shortage of affordable rental units in this country. Low down payment products supported by the GSEs play a very different role by helping otherwise creditworthy borrowers, including persons of color and millennials, get a jump start on accessing homeownership, rather than waiting years to save enough for a larger down payment. Democrats maintain that any housing finance reform proposal should include a similarly broad-based strategy for supporting access to affordable housing.

Democrats also support FHFA's effort to fulfill its obligation to preserve a liquid, competitive, and national housing market. FHFA continues to make progress in its implementation of the Common Securitization Platform. In 2016, FHFA announced the successful implementation of Release 1, wherein Freddie Mac began utilizing the CSP. FHFA will begin development and testing for Release 2, wherein Fannie Mae will begin utilizing the CSP, in 2018, and we look forward to the launch of Release 2 in 2019.

NATIONAL FLOOD INSURANCE PROGRAM

According to the National Oceanographic and Atmospheric Administration, 2017 was the costliest hurricane season in U.S. history due to a series of unprecedented storms that caused historic levels of damage. Hurricane Irma produced winds at some of the highest levels ever recorded and made history as the longest consecutive Category 5 hurricane. The chances that Hurricane Harvey would wreak havoc on the areas of Texas that found themselves underwater were so low that the Army Corps of Engineers estimated there was a .01% it would occur. And Hurricane Maria nearly wiped out the U.S. Virgin Islands and Puerto Rico, necessitating what the Federal Emergency Management Agency (FEMA) has called the "largest federal response to a disaster" in American history. Despite the increasing frequency and severity of natural disasters leading to historic levels of flooding across the United States, Congress has not acted to keep the National Flood Insurance Program

(NFIP), which is the principal provider of primary flood insurance, running for the long-term.

The last long-term authorization of the NFIP expired on September 30, 2017. Ever since, Congress has been passing short-term extensions without a comprehensive plan to provide certainty to the market, keep flood insurance affordable, or deal with the lack of funding for sufficient mapping or mitigation. Democrats understand that the NFIP must be reformed to keep coverage affordable and available, adapt to a changing climate, and keep our communities resilient in the face of increasing flood risks.

Further, although self-sustaining for most of its 50-year history–funded by insurance premiums and fees paid by policyholders–the NFIP is designed to draw from the Treasury to fund large catastrophic events that cannot be paid by premiums and fees alone. This structure has left the NFIP mired in debt it will never repay. Although Congress recently forgave $16 billion of the NFIP's $30 billion debt as part of a supplemental appropriations bill, the remaining debt has been ignored and continues to burden policyholders with approximately $400 million in interest payments every year. Meanwhile, nearly 65 percent of NFIP premiums and fees are spent on losses and debt reduction, including interest payments. Democrats will push for Congress to take action to address this debt in order to enhance the affordability of NFIP premiums and preserve the long-term sustainability of this vital program.

Democrats also believe that Congress must build on the work of the Biggert-Waters Act, which established an ongoing effort to update flood maps. We realize that there have been longstanding concerns with the accuracy of the NFIP's flood maps and believe funding for mapping technology should be made a higher priority. Mitigation, which saves $4 for every $1 spent, should be encouraged for homeowners, renters, and businesses whenever it is a viable and cost-effective option. Finally, we believe Congress should consider ways to increase take-up rates both through the NFIP and the burgeoning private market.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI) FUND AND THE CAPITAL MAGNET FUND

While the Trump Administration's Budget proposes to extend the Community Development Financial Institution (CDFI) Fund Bond Guarantee Program, which provides CDFIs with low-cost, long-term financing, it also wrongfully proposes to eliminate funding for CDFI Fund's discretionary grant and direct loan programs. Although the Budget maintains funding for administrative expenses to support ongoing vital CDFI Fund program activities, this amount would not provide adequate funding to cover the numerous CDFI Fund Programs, like the New Markets Tax Credit program and Bank Enterprise Award (BEA) program.

The CDFI Fund has had a growing impact across the country by giving private institutions access to the capital needed to extend credit and provide financial services to communities, especially those in lower-income and traditionally underserved areas. For example, the BEA program incentivizes FDIC-insured depository institutions to make investments in the most severely distressed communities throughout the country, by providing monetary awards to banks and thrifts that have successfully demonstrated an increase in their investments in census tracts with at least 30 percent of residents having incomes less than the national poverty level and 1.5 times the national unemployment rate. According to data released by Treasury earlier this month, 119 BEA Program applicants in 2016 reported lending, investment, and service activities totaling more than $1.4 billion. The Budget also includes a proposal to eliminate new funding for CDFI Capital Magnet Fund (CMF). The CMF, which is funded by allocations from Fannie Mae and Freddie Mac and administered by the CDFI Fund, offers competitively awarded grants to finance affordable housing solutions and community revitalization efforts that benefit low-income people and communities nationwide, and to date, has generated nearly $1.8 billion of combined investment based on just $80 million of award funding, and created over 13,300 affordable homes.

The data are clear—the CDFI Fund Programs are successful and help support financial inclusion to low- and moderate-income distressed communities, and Democrats support full funding to all the valuable CDFI Fund Programs.

SUPPORTING SMALL BUSINESS INVESTMENTS

Democrats strongly support reauthorizing the successful State Small Business Credit Initiative (SSBCI), which Congress created as part of the Small Business Jobs Act of 2010, and providing $1.5 billion in funds. Under the previous Administration, Treasury allocated $1.5 billion to support state programs that leverage private capital and support lending to small businesses and manufacturers. Cumulatively, from 2011 to 2016, Treasury reported that: "States expended $1.2 billion in SSBCI funds which supported new financing to small businesses totaling $10.7 billion. SSBCI programs have supported $8.95 in new financing for every $1 of SSBCI funds. Small business owners reported that SSBCI funds will help create or save more than 240,000 jobs."

In addition to authorizing a second round of funding for the program to build on this progress, Democrats will continue to emphasize the importance of ensuring that a significant portion of the SSBCI-supported loans or investments are made to businesses in low- and moderate-income communities. In recognition of the essential role small businesses play in the American economy, Democrats are committed to authorizing funds that have a proven record of increasing American jobs and increasing economic growth.

OFFICES OF MINORITY AND WOMEN INCLUSION (OMWI)

Since our nation's founding, the diversity of the American experience has been cited by numerous historians, authors, and economists as one of the country's greatest assets. This principle of "diversity as an asset" was recognized nearly 75 years ago by President Franklin D. Roosevelt who, in an Executive Order banning discrimination in the defense industry, asserted "the firm belief that the democratic way of life within the Nation can be defended successfully only with the help and support of all groups within its borders." While President Roosevelt sought to ban discrimination in the defense industry as a means of bolstering national security, in the decades since, researchers and academics have recognized the value of diversity to promote innovative decision-making and combat the problem of "group-think."

Section 342 of the Dodd-Frank Act establishes Offices of Minority and Women Inclusion (OMWIs) in nine agencies—the Department of the Treasury, Federal Deposit Insurance Corporation (FDIC), Federal Housing Finance Agency, each of the Federal Reserve banks, the Federal Reserve Board of Governors, National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission (SEC), and Consumer Financial Protection Bureau (Consumer Bureau)—that are responsible for all matters relating to diversity in management, employment, and business activities. Each OMWI needs sufficient resources to ensure transparency from the top-down, to continue their efforts to promote a diverse talent pipeline for current and future employment opportunities within the agencies, to conduct training to increase cultural awareness and inclusiveness in the agencies, and to enhance supplier diversity initiatives to secure the fair inclusion of minority-owned and women- owned businesses in agencies' business activities.

In November 2017, GAO publicly released a report that found the overall representation of minorities in first-, mid-, and senior-level management positions in the financial services industry had increased from about 17 percent to 21 percent from 2007 through 2015. Despite this modest overall increase, Democrats are particularly troubled that the GAO found the representation of African-Americans had actually decreased at various management levels.

Democrats also note that the Equal Employment Opportunity Commission (EEOC) requires private employers subject to Title VII of the Civil Rights Act of 1964 with 100 or more employees and all federal contractors who have 50 or more employees and meet certain other requirements to annually submit data on the racial, ethnic, and gender data of employees of certain occupations for a broad range of industries including financial services. EEOC proposed changes to require employers with 100 or more employees to report summary pay data in September 2016. Unfortunately, the Trump Administration suspended the pay-related data collection.

The Trump Administration has shown a lack of commitment to enhancing diversity and inclusion, as seen by the blocking of pay-related workforce data. By contrast, Democrats remain committed to supporting OMWIs and other initiatives that recognize the economic and social value of workforce and supplier diversity. As the American population becomes increasingly more racially and ethnically diverse, it is vital that the federal financial services agencies attract, hire, develop, and retain highly-qualified and diverse workforce and operate in a manner that ensure an inclusive and non-discriminatory workplace.

CONSUMER FINANCIAL PROTECTION BUREAU

Democrats strongly support the mission of the Consumer Financial Protection Bureau, which was created under the Dodd-Frank Act, to better protect consumers from predatory practices and promote fair and transparent markets for the provision of consumer financial products and services.

Since the Consumer Bureau was established, it has implemented new rules for mortgage markets and prepaid cards, released comprehensive studies on private education lending, credit reporting, and mandatory arbitration in consumer contracts, and successfully recovered nearly $12 billion for 29 million consumers harmed by predatory and illegal financial practices. The Consumer Bureau has also established a transparent and robust consumer complaint mechanism, which has received over 1.2 million complaints. To date, an impressive 97 percent of the complaints that were sent to companies for review have received timely responses, which underscores the tremendous value the database is providing to consumers.

Democrats are troubled by the Majority's constant attempts to undermine the Consumer Bureau with their false characterizations of it as a rogue Federal agency that operates without any congressional oversight and accountability because its funding is independent of the congressional appropriations process. In doing so, the Majority appear to be relying on "alternative facts." While it is true that the Consumer Bureau's funding structure allows it to operate without the undue partisan influences associated with a reliance on congressional appropriations, the other Federal banking agencies are also not subject to appropriations and the extensive congressional oversight of the Consumer Bureau's activities can easily be shown through the number of times in which Bureau's officials have been called to testify before Congress. Former Director Richard Cordray, or other Bureau's officials, have testified before the relevant Committees of jurisdiction over 60 times since its inception. The Director is required to appear before the relevant Committees to discuss its activities outlined in the statutorily mandated semi-annual reports. In total, the Consumer Bureau has submitted over 70 reports to Congress on a range of consumer financial protection issues. Furthermore, when former Director Cordray was leading the Consumer Bureau, the Majority relentlessly engaged in overzealous investigations with excessive documents requests and employee testimony compelled by subpoena regardless of how transparent and forthcoming the Consumer Bureau was with these requests.

Despite the successes and effectiveness of the Consumer Bureau, the Trump Administration is weakening the agency's ability to carry out its statutory mission through underfunding it and illegally installing Mick Mulvaney, the head of the Office of Management and Budget, as Acting Director. As the head of an agency located within the Executive Office of the President, Mulvaney works closely with the President on a range of issues and serves at the pleasure of the President. It is difficult to imagine a figure with less independence from the White House and its policy preferences serving at the helm of the Consumer Bureau. In turn, the Administration's hostility toward the Consumer Bureau has manifested itself through OMB Director Mulvaney's refusal to carry out enforcement actions initiated under former Director Cordray, thereby denying American consumers the ability to be compensated after being subjected to predatory and illegal actions by bad actors. Under OMB Director Mulvaney, the Consumer Bureau has thus far made a funding request of $0 from the Federal Reserve, heading down a path to shrink the Consumer Bureau's operations and limiting its ability to help consumers. Furthermore, the Consumer Bureau has also postponed and weakened the implementation of several consumer protection regulations, including with respect to payday lending safeguards as well as Home Mortgage Disclosure Act (HMDA) data collection, which helps law enforcement identify and prosecute those who engage in discriminatory lending.

The Majority has aided the Trump Administration's efforts by advancing legislation to, in the words of the Chairman, "functionally terminate" the Consumer Bureau through H.R. 10, the Financial Choice Act, as well as through the appropriations process. The Trump Administration's Treasury Department has also issued numerous recommendations in keeping with the Majority's goals to undermine this highly successful agency. Furthermore, despite years of deliberate study and careful rulemaking by the Consumer Bureau to ban the harmful practice by some to include pre-dispute arbitration clauses in financial contracts, the Majority worked with the Administration to repeal this consumer protection, robbing Americans of their right to join together and have their day in court when bad actors rip them off.

Given the Consumer Bureau's statutory mission to protect American consumers from the greed and reckless behavior of Wall Street and, by extension, to reduce the risk to taxpayers from another financial crisis triggered by such predatory practices, Democrats will continue to fight these and future efforts to preserve safeguards for consumers as well as Consumer Bureau's funding and independent governance structure in spite the current Administration's efforts to undermine the agency.

SECURITIES AND EXCHANGE COMMISSION

The President's Budget request for FY 2019 fails to ensure that the Securities and Exchange Commission (SEC or the Commission) is able to devote sufficient resources to policing the vast securities markets and mitigating its internal cybersecurity risks. Specifically, the Budget requests $1.658 billion for SEC operations for FY 2019, a mere 3.5% increase over the Commission's FY 2018 request of $1.602 billion.

The SEC has a three-part mission: to (1) protect investors; (2) maintain fair, orderly, and efficient markets; and (3) facilitate capital formation. Pursuant to that mission, the Commission oversees $75 trillion a year in securities trading and more than 26,000 market participants, which includes 12,600 investment advisers, approximately 10,000 mutual funds and Exchange Traded Funds (ETFs), over 3,900 broker-dealers, nearly 380 transfer agents, 21 national securities exchanges, 81 alternative trading systems, 10 credit rating agencies, 7 active registered clearing agencies, the security futures product exchanges, the National Futures Association, the Securities Information Processors, the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The SEC also reviews the disclosures and financial statements of over 8,000 reporting companies.

From the start of the Trump Administration, the SEC has sought to fulfill its broad and complex mission with a flat budget of approximately $1.6 billion. In an attempt to manage cost increases over two fiscal years of stagnate funding, the SEC imposed a strict hiring freeze, which the SEC expects will result in 9 percent loss of its workforce by the end of FY 2018. The President's budget request would only allow the SEC to restore 100 of the 431 vacant positions.

Notwithstanding the meager funding afforded by the President's request, Democrats urge the SEC to prioritize its enforcement and examinations activities and to complete the remaining Dodd-Frank Act rulemakings. The SEC is responsible for prosecuting violations of the securities laws and holding violators accountable in cases involving everything from corporate disclosure violations to fraudulent sales of complex financial products. Democrats will continue to demand that the Commission increase its enforcement efforts, including against illegal initial coin offerings and virtual currency investment scams, and against traders that engage in abusive and manipulative practices at the expense of retail investors.

In addition, the Commission must vigorously police the markets through regular compliance checks, including annual examinations of registered investment advisers, which have grown steadily over the past decade. In FY 2017, the SEC staff examined only 15 percent of registered investment advisers and nearly 35 percent of all registered investment advisers have never been examined. The SEC must also complete its rulemaking obligations under the Dodd-Frank Act, including establishing a comprehensive regulatory regime for security-based swaps, enhanced investor disclosures, and executive compensation rules for public companies and SEC-regulated entities.

Troublingly, the President's Budget and the Majority's Views support the elimination of the SEC's Reserve Fund, which provides the SEC with up to $50 million annually to support long term information technology (IT) initiatives and respond to unforeseen events, like the 2016 hack of its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system for public company filings. In 2017, the SEC obligated $10.3 million from the Reserve Fund to upgrade EDGAR and $8 million to modernize its cybersecurity systems. Further, the SEC spent $6.9 million from the Reserve Fund on its Data Analytics program, including preparations for connectivity with the Consolidated Audit Trail, a long-overdue surveillance tool that will improve the SEC's ability to investigate misconduct in our capital markets. In total, the SEC obligated $51 million from the Reserve Fund in 2017. At best, eliminating the Reserve Fund would force the SEC to support its cybersecurity efforts by syphoning resources from other underfunded programs, such as investment adviser examinations. At worst, it would hamstring the SEC's ability to keep pace with ever-evolving threats to our financial infrastructure.

FINANCIAL STABILITY OVERSIGHT COUNCIL & OFFICE OF FINANCIAL RESEARCH

In the years leading up to the financial crisis, the American regulatory and supervisory framework did not keep up with the risks posed to our country's financial stability caused by the increasing size, complexity, interconnectedness, and globalization of financial conglomerates. The Financial Stability Oversight Council (FSOC) was established under Title I of the Dodd-Frank Act to close these regulatory gaps and serve as an early warning system for emerging threats to financial stability.

Democrats believe that FSOC's functions and tools are vital because it is through the Council's work that regulators have identified institutions that pose heightened risks to the economy and succeeded in encouraging some systemically risky firms to drastically reduce their risk profiles, thereby protecting taxpayers by making deficits associated with future financial catastrophes much less likely. For this reason, Democrats are alarmed by the Trump Administration's efforts to remove the safeguards around firms that pose a threat to U.S. financial stability.

Democrats also support the purpose and structure of the Office of Financial Research (OFR), which was created under the Dodd-Frank Act to provide much needed insights into the shadow banking system and support the work of FSOC.

The OFR's data collection ensures that regulators' assessments of systemic threats, and decisions about any steps to mitigate them, reflect the deepest body of research and analysis of the financial sector as possible.

The OFR also works closely with regulators to improve the transparency and function of our financial system, which is demonstrated through its collaboration with the Federal Reserve to create a more reliable alternative to the London Interbank Offered Rate (LIBOR), which was previously found to have been manipulated by Wall Street firms, and ongoing work to promote the use of legal entity identifiers.

That is why it is concerning that the Trump Administration and the Majority are undermining this important work to aggressively examine risks to financial stability and taking steps to address those risks. Democrats have introduced H.R. 2750, the *Protecting the Independent Funding of the Office of Financial Research Act,* to preserve the independent funding of the OFR in the face of Republican attacks on its budget, which continue despite the fact that the budgets of the FSOC and OFR are offset by a fee imposed on systemically significant financial institutions and do not affect the deficit.

ENHANCED PRUDENTIAL STANDARDS TO PREVENT FUTURE BAILOUTS

The financial crisis demonstrated that several large, interconnected financial institutions could pose an existential threat to the American financial system. These institutions' size, complexity, interconnectedness, and global scale forced the Federal government to expend enormous resources to prevent their failures in order to avoid an international economic collapse. Such large and complex institutions whose failure may destabilize the financial system and harm the broader economy are known as systemically important financial institutions, or SIFIs.

The Dodd-Frank Act instructed regulators to limit the risks these firms pose to the economy. One of the landmark features of the law was to modify the regulatory framework to focus on these systemic risks, and the law established a tiered and tailored framework so that the most stringent, toughest requirements were applied to financial firms and activities that pose the greatest risks. For example, the law requires that the largest banks and systemically important financial firms be subject to stricter rules for capital, leverage, liquidity, and risk management. It also subjects these firms to regular, forward-looking stress testing requirements to ensure these large firms are better prepared for eventual economic downturns or unexpected shocks to the system. In fact, banks in the United States have added more than $750 billion in capital to absorb potential losses and because of these safeguards are much less reliant on the kinds of short-term funding that disappeared in the crisis. Furthermore, the Volcker Rule now prohibits banks from risky proprietary trading, ending the practice of allowing banks to gamble with their customers' and taxpayers' money.

In addition, the Dodd-Frank Act requires the largest banks and systemically important financial firms to submit to regulators a resolution plan or "living will," which demonstrates how that institution could be successfully resolved through the Bankruptcy Code. If regulators deem the plans not credible, they can require firms to raise more capital, exit lines of business, or even divest entirely of complex subsidiaries. On December 12, 2016, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) imposed restrictions on the ability of Wells Fargo to expand certain international and non-bank business activities after the bank failed to address deficiencies in its previous living wills. While this step is long overdue, we believe that the Federal Reserve and the FDIC need to more forcefully utilize their enhanced authorities to force large, complex firms to exit risky business lines and reduce their financial footprint.

The Trump Administration and the Majority have worked hard to roll back many of these critical protections required by Dodd-Frank. For example, the Trump Administration's Treasury Department has issued numerous financial deregulatory reports with dozens of one-sided recommendations that would only help megabanks' bottom line and increase risks to financial stability. Furthermore, President Trump's regulatory appointees have initially focused on weakening the application of the Community Reinvestment Act, which would make it tougher to root out discriminatory lending practices. The President's appointees have focused on providing "transparency" to stress testing requirements that runs the risk of allowing megabanks to game the tests, diluting their effectiveness. His appointees have discussed reducing the leverage requirement for the largest banks, which would increase the risk of their failure and could trigger another financial crisis. His appointees are working on a series of modifications to the Volcker Rule, which could allow Wall Street to return to the harmful practice of gambling with their customers' deposits, which are backed by the taxpayer. The Majority has joined in these efforts by advancing H.R. 10, *the Financial CHOICE Act*, and many other bills that carry out these recommendations to relax oversight of Wall Street megabanks and predatory lenders.

In contrast, Democrats are committed to ensuring that large financial institutions can never again threaten our economy. Democrats were pleased that the Federal Reserve Board under former Chair Yellen's direction took bold action to cap Wells Fargo's size until the bank cleans up its pervasive illegal activities that have harmed millions of consumers. Given that the GAO has found deficiencies in the supervision of large banks, Congress should provide vigorous oversight of the bank regulators to ensure they follow former Chair Yellen's lead and utilize their full enforcement tool kit to finally hold megabanks accountable when they break the law.

Instead of easing regulations on megabanks and predatory lenders, or making changes that will only fuel industry consolidation resulting in fewer community financial institutions, Democrats believe Congress should focus on sensible and targeted community bank and credit union regulatory relief to allow them to better serve their communities. In addition, if the Federal financial services regulators and the Trump Administration are reluctant or fail to utilize the full suite of reform tools created under the Dodd-Frank Act to reduce the risk posed by our largest banks, Democrats will undertake an aggressive oversight and legislative agenda to protect taxpayers.

ORDERLY LIQUIDATION AUTHORITY

Because not all threats to economic stability can be foreseen and there are critical shortcomings with the Bankruptcy Code, the Dodd-Frank Act provides regulators with additional authorities to resolve systemically important financial institutions in an orderly fashion – known as the Orderly Liquidation Authority (OLA). Under OLA, if regulators must use government funds to resolve an institution in order to prevent contagion or an economic catastrophe, any funds must be recouped from all systemically important institutions to ensure no cost to the American taxpayer.

Although the Congressional Budget Office (CBO) estimated last year that a repeal of the OLA would reduce the deficit by $14.5 billion over ten years, these savings stem only from the fact that CBO is merely looking at a ten-year period and that all expenditures would eventually be recouped. The Majority fails to acknowledge that CBO states in that estimate, "The FDIC would be required to collect fees from other large financial firms to offset the cost of *any losses* resulting from those activities." (Emphasis added).

Furthermore, proposals to enhance the Bankruptcy Code to better handle a resolution of large, complex financial firms deserve close scrutiny and further analysis of their efficacy and impact, but they are not a substitute to OLA and do not resolve the many shortcomings the Lehman Brothers bankruptcy filing exposed. Repealing the OLA, as the Majority proposes, would bring us back to the bailout era and dangerously expose the country's economy to additional uncertainty and instability, thereby inviting a crisis whose cost would likely be an order of magnitude much greater than any fictional savings.

Notably, even the Trump Administration's Department of the Treasury issued a report last month that rejected the Majority's efforts to repeal the OLA. Recognizing the limitations of resolving a failing firm through bankruptcy, the report concluded that, "If sufficient private financing is unavailable, OLA may prove necessary to avoid financial contagion while at the same time allocating losses to shareholders and creditors based on a clear, predictable hierarchy of claims."

PROMOTING RESPONSIBLE USE OF FINANCIAL TECHNOLOGY (FINTECH)

Financial technology, or "fintech," is a broad term used to describe a wide spectrum of technological innovations that impact a range of financial activities, like marketplace lending, mobile payments, deposits, savings, budgeting, digital currencies, blockchain accounting, digital wealth management, capital raising, insurance, regulatory compliance, and other activities. Despite the use of new terminology, fintech is simply using technology to provide financial products and services by banks and non-bank financial companies.

Democrats believe that developments in fintech can be a catalyst for responsible innovation, with appropriate safeguards, that helps increase access to credit for underserved communities. To that end, Democrats advocate for the following principles when it comes to government regulation of fintech activities: promotion of responsible innovation; inclusion and protection of consumers; and, preservation of and support for our nation's community banks and credit unions.

There have been a number of regulatory developments in the fintech space in recent years. This includes: the Treasury Department issuing a report on marketplace lending with various recommendations; the OCC developing a special purpose national bank charter for fintech; several fintech non-bank companies applying for an Industrial Loan Corporation charter from the FDIC; and the Consumer Bureau issuing its first no-action letter for a company using alternative data to make credit and pricing decisions. Furthermore, regulators are examining new payment technologies and cryptocurrencies, like Bitcoin, as well as robo-advising and other investor-related developments.

Because these developments have the potential to dramatically change how the financial regulators oversee the financial services industry, Democrats intend to embark on an extensive oversight agenda to look into all of these developments, examine the current legal framework that applies to fintech, and develop legislative changes that are rooted in the three principles outlined above.

REASONABLE LIMITS ON EXECUTIVE COMPENSATION

Following the 2008 financial crisis, Democrats recognized that excessive compensation and outsized bonuses caused Wall Street CEOs to favor short-term profits over the long-term interests of the company. Accordingly, the Dodd-Frank Act required reasonable limits on executive compensation that improve individual accountability. Pursuant to the Act, the federal financial regulators in 2016 proposed requiring large banks and financial institutions to subject all incentive-based compensation payable to senior executive officers and significant-risk takers to a 7-year clawback requirement. In light of recent news reports indicating that compensation packages for Wall Street CEOs at the five largest banks are the highest since 2006, with most amounting to incentive-based compensation, Democrats urge regulators to finalize this proposal. Democrats also encourage regulators to implement other sensible Dodd-Frank reforms, including requiring public companies to clearly disclose the relationship between executive compensation and the companies' financial performance and to have clawback policies for executive compensation that was based on materially inaccurate financial statements.

FEDERAL RESERVE SYSTEM

Over the past decade the Federal Reserve has played an essential role in stabilizing and supporting our economy after the 2008 financial crisis wiped out $13 trillion in household wealth, displaced 11 million Americans from their homes, and eliminated nearly 9 million jobs. Taking a variety of extraordinary actions, including by significantly growing its balance sheet through a program known as quantitative easing, the Federal Reserve calmed financial markets, expanded the availability of credit to households and businesses, and helped drive down the devastating 10 percent unemployment rate to a level of 4.1 percent today. All of this was done while keeping inflation low and stable.

In contrast to the Federal Reserve's responsible and constructive role in supporting the recovery, the Majority's record is one that has been far less helpful. Indeed, when many economists were calling for Congress to use fiscal policy to complement the Federal Reserve's stimulus, the GOP-led Congress instead did the opposite, embracing a radical agenda of fiscal austerity that prolonged the recession, and had adverse effects on jobs and incomes, much to the frustration of Democrats, as well as Federal Reserve officials, including then-Chairman Ben Bernanke. In 2013, the year the GOP's fiscal austerity measure went into effect, the nonpartisan Congressional Budget Office reported that it would "[s]low the pace of real GDP growth by about 1.5 percentage points [that] year, relative to what it would have otherwise been." Other economists, including Josh Bivens of the Economic Policy Institute, have also lamented the severe adverse effects of the Majority's fiscal policy. According to Bivens, had government spending followed the normal course seen in previous business cycle recoveries, the economy would have had roughly 5 million more jobs in 2013. As Chairman Bernanke noted in testimony before the Committee, not only did budget cuts have adverse effects on employment and wages, but by slowing the recovery, they would lead to less actual deficit reduction in the short-run.

Instead of acknowledging the Federal Reserve's responsible support of the economy and adherence to its dual mandate, the Majority has fabricated a narrative in which they escape blame for the harmful effects of fiscal austerity and make the Federal

Reserve the scapegoat for a slower than desired recovery. Regrettably, this assault on the Federal Reserve has not been limited to rhetoric. Indeed, the Majority has advanced a legislative agenda that aims to increase the influence of commercial banks within the Federal Reserve System, eliminate tools that proved critical to the Federal Reserve's support of the housing sector and the broader economy following the financial crisis, bind the Federal Reserve policy makers to "exactly one" monetary policy strategy, effectively transfer its role as a lender of last resort to Congress, and eliminate its independence from the broken congressional appropriations process. These misguided measures would have powerful repercussions for the conduct of monetary policy and the vigor with which the Federal Reserve can support American workers when the next downturn occurs.

Going forward, Democrats will continue to reject baseless attacks on our central bank, and hold the Federal Reserve accountable to meeting its mandate of full employment and price stability. Democrats will also continue to advocate for protecting the independence of the Federal Reserve, including by making the members of the Board of Governors and the presidents of the Reserve banks more reflective of the interests and diversity of America as a whole.

GLOBAL ECONOMIC STABILITY AND COOPERATION

The United States has long provided the foundation for the global economic order. Even before World War II ended, political leaders from the 44 Allied countries met in 1944 in Bretton Woods, New Hampshire, to create the institutional framework for the post-World War II global economic and monetary order. The Bretton Woods conference gave birth to the two multilateral financial institutions that have underpinned global cooperation and played a critical role in the international financial architecture for over 70 years—the International Monetary Fund (IMF) and the World Bank.

Democrats believe that sustained international cooperation is the most promising path to ensure national security, prosperity and well-being, and we reject isolationist policies, which will hamper domestic and global economic growth. Democrats regret that the Trump administration has taken an unprecedented turn away from multilateral engagement. The Treasury Department under the Trump administration is supporting fewer multilateral institutions and programs than any previous administration of the past 30 years.

Among the programs abandoned during the past year: innovative and highly effective agricultural development programs in the form of the International Fund for Agricultural Development (IFAD) and Global Agriculture and Food Security Program, as well as support for the climate finance agenda. The latter marks a striking diminishment of U.S. engagement and influence over a leading pillar of multilateral cooperation today.

Skeptics of global cooperation would do well to appreciate the costs of going it alone. This can be measured by the financing leverage that we are giving up when we cut multilateral funding, such as with IFAD, where every dollar contributed by the United States delivers nearly 80 dollars of assistance to developing countries. Harder to quantify are the potentially wide-ranging effects of not having the United States at the table to help shape multilateral strategies, standards, and priorities on issues that implicate a wide range of US economic, security, and foreign policy interests.

Democrats also believe that U.S. economic and global security is best served by incorporating the world's rising economic powers into the current rules-based multilateral institutions. Unfortunately, the weakening of the commitment to multilateralism by the United States in recent years has led to widespread doubt about U.S. leadership on global economic governance. This has spurred emerging economies, led by China, to act independently, with initiatives viewed as a coordinated effort to reshape the previously U.S.-led global financial architecture.

For example, in 2015, the BRICS nations—Brazil, Russia, India, China, and South Africa—created a Shanghai-based development bank of their own, called the "New Development Bank" (NDB), which began operations with an initial authorized capital of $100 billion.

Also, two years ago, China launched the Asian Infrastructure Investment Bank (AIIB)—a new multilateral development bank based in Beijing with a mission to provide financing for roads, railways, and other infrastructure projects in Asia. At its creation, the 57 founding member countries of the AIIB revealed the breadth of the new bank, including a number of close U.S. allies. Since then, the AIIB has grown to 84 members from around the world, thereby boosting China's standing in the global economy at the expense of our own.

Democrats are mindful that a world in which countries such as China and Russia are acting outside of the established international financial institutions, or other global bodies, is one that could drift beyond our sphere of influence and the norms and values that we espouse.

Multilateral cooperation is also vital in the fight against terrorism financing: the challenges we face are often transnational, and no nation can protect itself from these threats without cooperation from others. In this area, the work of the international financial institutions is again critical.

The International Monetary Fund (IMF) is often the first responder in helping countries manage financial crises before they destabilize an economy and give rise to conditions of economic stagnation, poverty, and political instability, which can embolden terrorism. Also, since 2000, the IMF has recognized that combating money laundering and terrorist financing is essential to the integrity and stability of the financial system, and the Fund has integrated anti-money laundering and combating the financing of terrorism (AML/CFT) measures into its lending conditionality and in its economic surveillance and country assessments.

The multilateral development banks also do critical work in facilitating the restoration of state legitimacy and the provision of basic services in fragile and conflict-affected states, which can become breeding grounds for violence and terrorist activities.

THE MULTILATERAL DEVELOPMENT BANKS

Democrats believe that a strong U.S. leadership position at the multilateral development banks (MDBs) is central to their legitimacy. The MDBs are directed at some of the central challenges faced by the U.S.—strategic, economic, political and moral—and, in many ways, they are often the most effective means for responding to these challenges. The United States has also often looked to the MDBs to meet strategic objectives in countries and regions at critical moments, and the degree to which the MDBs support U.S. interests depends upon the strength of our roles within these institutions.

Democrats are troubled by the Committee's inaction on two requests in the Administration's FY 2018 budget for authorizations for the U.S. to participate in replenishments at the African Development Fund and the Asian Development Fund. Failure to meet U.S. commitments to the MDBs damages U.S. credibility and adversely affects the ability of the U.S. to shape the direction of policies and activities at these institutions. It also undermines the ability of the African Development Fund to provide grants and highly concessional loans to the 38 poorest countries in Africa, half of which are fragile and conflict-affected states, including countries such as Mali, Chad, and Niger that are on the frontlines of the fight against terrorism in Sub-Saharan Africa, and the ability of the Asian Development Fund (AsDF) to ensure that sufficient concessional finance is available to strategically important countries like Afghanistan. Moreover, AsDF rules allow other donors to withhold their pledged contributions proportionally based on U.S. unmet commitments.

COUNTERING TERRORISM AND ILLICIT FINANCING AND SAFEGUARDING OUR NATIONAL SECURITY

Democrats firmly believe that tracking and stemming the flow of funds that allow terrorist groups, rogue nations, and other illicit actors to perpetuate their malign activity is essential to safeguarding our national security. Accordingly, Democrats strongly support providing the necessary resources, authorities, regulatory tools, and enforcement mechanisms to ensure the Federal government is able to identify, deter, and disrupt the financial support networks of those who would threaten this country.

To this end, Democrats believe that Treasury's Office of Terrorism and Financial Intelligence (TFI) plays a key role in curtailing illicit finance networks by working to develop and coordinate Treasury's various policy, enforcement, regulatory, and intelligence functions. In doing so, TFI oversees a number of critical bureaus and offices, including the Financial Crimes Enforcement Network (FinCEN), which plays a leading role in combating money laundering and collecting, analyzing, and disseminating financial intelligence, and the Office of Foreign Assets Control (OFAC), which administers and enforces our sanctions regime.

Although Democrats support expanding the resources available to FinCEN given its broad and important national security responsibilities, we are deeply concerned by the Treasury Department's continued obstruction and refusal to cooperate with requests by Committee Democrats for records maintained by FinCEN pertaining to President Trump's financial ties to Russia as well as those of his family members and associates. The nearly constant stream of allegations about the President's ties to Russian government officials, oligarchs, and organized crime leaders raises serious questions as to whether such individuals may have financial leverage over the President and his Administration. Democrats remain committed to overseeing FinCEN's role in Russia-related inquiries involving the President and his immediate family and will continue to work to expose the truth and draw attention to troubling conflicts of interest given Secretary Mnuchin's role in overseeing the activities of FinCEN and his previous role as finance chair of the Trump campaign.

One of FinCEN's primary functions is to implement and enforce the Bank Secrecy Act (BSA), which is the country's primary anti-money laundering and counter-terrorism financing law. Of course, the success of the BSA also relies upon financial institutions adequately fulfilling their responsibility to establish effective anti-money laundering programs and report suspicious activity. Unfortunately, a significant number of high-profile violations of the BSA in recent years suggest that the penalties for non-compliance are inadequate. In particular, Democrats remain concerned by the lack of individual accountability by senior-level executives for violations of the BSA. The absence of executive accountability is particularly galling when compared with the harsh sentences given to individual low-level, non-violent drug offenders. Moreover, significant loopholes in FinCEN's regulations continue to exempt broad swaths of high-risk entities, including those in the luxury real estate sector, from maintaining even the most basic BSA program requirements. These loopholes, coupled with the failure to collect and maintain information on the beneficial owners of companies formed in this country, expose our financial system to significant risk.

Finally, Democrats see an important role for FinCEN in addressing and providing regulated entities guidance on the illicit financing risks posed by a constantly changing threat environment, including human trafficking, lone actor terrorism, and emerging technologies such as cryptocurrencies. Also, in applying and enforcing anti-money laundering and counter-terrorist financing standards, FinCEN must also take steps, including by providing clear guidance, to ensure that legitimate actors, remain able to access our financial system. The trend among depository institutions to "de-risk," by ending account services for certain categories of customers, is having significant adverse impacts on a broad range of customers industries and regions around the globe.

Democrats also see an increasingly important role for OFAC's use of sanctions against countries, regimes, terrorists, drug traffickers, proliferators of weapons of mass destruction, and other threats to our national security. In particular, Democrats believe that the imposition of sanctions on Russia as a consequence for its active interference in the most recent American election on behalf of President Trump and unlawful annexation of Crimea is an essential tool to hold the Russian government accountable.

After it became clear that President Trump and his Administration had no intention of holding Russia accountable and deterring future meddling in U.S. elections, Congress passed the Countering America's Adversaries Through Sanctions Act (CAATSA), with overwhelming bipartisan support. Not only did the law aim to prevent the Trump Administration from quietly easing sanctions on Putin, but it also called for the imposition of new sanctions aimed at punishing Russia for its election meddling and other destabilizing activities and deterring future aggression. Despite the fact that CAATSA requires sanctions on persons engaging in transactions with Russia's intelligence or defense sectors "on and after" January 29, 2018, to date, no sanctions have been imposed. This failure advances the interests of Vladimir Putin and Russia's oligarchs to the detriment of our national security.

In addition to sanctions on Russia, Democrats recognize that the situation in North Korea presents an urgent and dangerous threat to peace and security. Democrats recognize that sanctions when coupled with aggressive diplomatic engagement reflect our best hope of addressing the alarming danger North Korea presents. Sanctions also play an important role in countering the Iranian government's testing of ballistic missiles, support for terrorism and human rights abuses.

As the U.S. continues to confront the challenges posed by ISIS, Al Qaeda and their affiliates, the destabilizing regimes in Syria, North Korea, Sudan and Iran, and the range of other threats we can expect to face, Democrats will continue to emphasize the importance of multilateral engagement in tackling these challenges. Democrats will also be vigilant in ensuring that civil liberties are appropriately protected in the development and implementation of laws, regulations, and policies related to efforts to combat terrorism. Indeed, we reject methods for collecting and sharing information that infringe on an American's right to due process, and we strongly oppose arbitrary and unfair methods for combating the illicit use of our financial system that impose a religious test, or target broad categories of individuals based on race, ethnicity, or national origin.

THE COMMITTEE ON FOREIGN INVESTMENT IN THE UNITED STATES (CFIUS)

Democrats want to ensure that the Treasury-led Committee on Foreign Investment in the United States (CFIUS) is appropriately balancing the benefits of our traditionally open investment climate with the requirement to protect U.S. national security. Aggressive Chinese industrial policy, and its investments in early-stage U.S. technologies with potential military applications, poses an ever increasing challenge. As the volume of cases and the complexity of transactions before CFIUS continues to grow, Democrats recognize that CFIUS will need additional resources in order to effectively manage and process its workload. To date, the most visible indication of resource constraints has been the lengthening of timelines as applied to individual cases. The resource issue is a particular problem with respect to CFIUS's other core functions, including the monitoring and oversight of mitigation agreements and identifying and assessing transactions that were not but should have been brought to the attention of the CFIUS. The expenditures incurred by CFIUS member agencies pale in comparison to the vast sums spent elsewhere in protecting our national defense, and Democrats view an increase in resources for CFIUS as critical and prudent investment in our national security.

Democrats remain concerned that any expansion of CFIUS's authority, absent additional resources, could jeopardize its existing mission and undermine global confidence in the traditionally open and stable U.S. investment environment.

EXPORT-IMPORT BANK

The Export-Import Bank (EXIM) is the official export credit agency of the United States. The agency is charged with supporting American jobs by providing U.S. exporters with the financing tools necessary to compete in foreign markets. Over its 84-year history, EXIM has played a key role in opening up international markets to American exporters, which has helped create and preserve high-paying and high-skill jobs in America's manufacturing and servicing sectors. EXIM also plays a key role in leveling the international playing field by offsetting the financing offered by foreign export credit agencies. EXIM is just one of 96 export credit agencies around the world, each working to support their home-country exporters. Without EXIM, American businesses would be placed at a severe competitive disadvantage vis-à-vis their foreign competitors, who have access to generous export financing through their own export credit agencies.

EXIM operates on a self-sustaining financial basis, which means that it is able to cover its own administrative expenses entirely through fees it charges for its services. It also generates net profits that are sent each year to the Treasury. Over the course of the former Administration, EXIM financed more than $240 billion in U.S. exports, supported more than 1.4 million American jobs, and remitted more than $3.8 billion in deficit-reducing receipts to the Treasury.

Despite this successful record, EXIM's ability to support the full range of exporters and American jobs has been severely impaired in recent years. In July 2015, opposition by a vocal Republican minority in Congress prevented a vote on legislation to renew the agency's expiring charter, which forced EXIM to shut its doors for five months. Although Congress reauthorized it in December 2015 with overwhelming and bipartisan support, a small band of far right critics has managed to block the confirmation of pending nominations to the Bank's board of directors, thereby denying the board the quorum it needs to support transactions over $10 million.

Without the ability to consider the full range of transactions pending approval, EXIM reported as part of its 2017 annual report that $40 billion worth of transactions, which would support an estimated 250,000 jobs, continue to languish in its approval pipeline.

Last fiscal year EXIM authorized only $3.4 billion in financing and supported an estimated 40,000 jobs. By contrast, in 2014 when the Bank was fully functioning, EXIM authorized $20 billion in financing which supported nearly 165,000 jobs. Without the ability to operate at full capacity, the Bank's ability to remit deficit-reducing receipts to the Treasury will also continue to fall. Although the Administration forecasts sending $223 million in deficit-reducing receipts to the Treasury in FY18 and another $614.4 million on top of that in FY 2019, these revenue estimates assume that Bank's board will have a quorum by March 2018. Notably, the absence of a board quorum resulted in EXIM remitting $0 back to the Treasury in FY17.

Democrats also reject the Majority's claim that the Bank misrepresents its true cost to the American taxpayer. The Bank follows the congressionally mandated accounting system established through the Federal Credit Reform Act. Moreover, it has been highly effective in managing taxpayer risk and has consistently maintained an extremely low default, which is currently at just 0.3 percent.

Going forward, Democrats remain committed to restoring the full functionality of EXIM and enhancing its ability to support U.S. workers.

OFFICES OF INSPECTOR GENERAL

Democrats support robust funding for federal government inspectors general to conduct oversight of the Trump Administration. President Trump's decision to appoint people with little to no government experience into cabinet secretary and senior executive positions has created conditions ripe for misconduct. Under these conditions, Democrats have not been surprised that both the Treasury and HUD Offices of Inspector General (OIGs) have opened several investigations into the conduct of Trump cabinet secretaries in the last six months. Last October, the Treasury OIG conducted an inquiry into the circumstances of Secretary Mnuchin's use of military aircraft after his wife used social media to flaunt the fact that she accompanied him on a trip to Kentucky. The Treasury OIG found that Secretary Mnuchin had flown on military aircraft seven times in as many months at a total cost to taxpayers of over $800,000. The HUD OIG is also currently reviewing items related to Secretary Carson's management of HUD.

FY19 Budget Views and Estimates Minority Views

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March 2, 2018

The Honorable Steve Womack
Chairman
House Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member
House Committee on the Budget
207 Cannon House Office Building
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Dear Chairman Womack and Ranking Member Yarmuth:

I am writing to share the views and estimates of the Committee on Foreign Affairs for the Fiscal Year 2019 (FY 2019) budget. Consistent with past practice, in addition to the Majority views below, the Minority has prepared separate views that are included in this transmittal. These views and estimates have been informed by more than 100 hearings and markups conducted by the Committee from January 2017 to date.

It is recommended that the FY 2019 Concurrent Resolution on the Budget provide authority for spending at FY 2017 enacted levels for the discretionary Function 150 International Affairs, Function 300 International Commissions, Function 800 General Government, and Function 970 Civilian Activities agencies, programs, and activities within the Committee's oversight and legislative jurisdiction.[1] The Committee recommends maintaining authority for non-discretionary spending under the Foreign Service Retirement and Disability Fund at $158.9 million.

The President's FY 2019 International Affairs Budget request proposes to reduce spending on diplomatic and development activities that advance vital U.S. national security, economic, and humanitarian interests by roughly 30 percent. While the decision to use additional authority under the budget deal to shift $12.3 billion in Overseas Contingency Operations (OCO) funds for the Department of State and USAID into the base budget is welcomed, proposals to impose severe cuts are not. The International Affairs budget may represent just one percent of the total federal budget in real dollar terms, but its impact is far more significant.

[1] This includes all Budget Function 150, 300, 800, and 970 agencies, commissions, programs, activities, and accounts funded through the annual *State Department, Foreign Operations, and Related Programs* appropriations bill, less funding provided under Title V for International Financial Institutions and Tile VI for Export and Investment Assistance. This also includes Budget Function 150 programs and activities funded through Title V of the annual *Agriculture, Rural Development, Food and Drug Administration, and Related Agencies* appropriations bill for Food for Peace Title II grants and McGovern-Dole International Food for Education and Child Nutrition Program Grants.

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The Committee takes its oversight responsibilities seriously and remains eager to work with the Administration to counter threats to U.S. national security; enhance embassy security; modernize the workforce at the Department of State and USAID; promote democracy and human rights; respond to disasters; and encourage the growth of healthier, more stable societies that share our values and interests. To that end, the Committee will pursue a rigorous legislative agenda that aligns U.S. foreign assistance with our most pressing national security interests, while imposing greater fiscal discipline across the International Affairs Budget and eliminating duplication and waste. The following highlights the most pressing legislative priorities of the Committee for FY 2019.

State Department Authorization. In 2018, the Committee intends to build upon the successful enactment of the Department of State Authorities Act for FY 2017 – the first State Authorities bill enacted by Congress in more than a decade – by advancing a more comprehensive State Department Authorization bill. This is a major undertaking that will authorize sufficient resources to advance common sense reforms. In addition to authorizing the Department's primary operating account, the Diplomatic and Consular Programs (D&CP) account, this authorization will also build on Secretary Tillerson's efforts to consolidate special envoy positions and modernize the Department's workforce and information technology. The State Authorities bill will also provide for the safety and security of our personnel abroad by authorizing the Worldwide Security Protection and Embassy Security, Construction and Maintenance accounts.

Cyber Diplomacy. Malicious cyber activities by state and non-state actors threaten U.S. foreign policy, security, and economic interests around the globe. The State Department plays a critical role in promoting an open, interoperable, reliable, and secure cyberspace by de-escalating cyber tensions with foreign countries through the development of international norms of responsible state behavior in cyberspace, and deterring malicious actors from carrying out destructive cyber operations. In recognition of the growing international challenges in cyberspace and the important role of diplomacy in addressing them, the House passed H.R. 3776, the Cyber Diplomacy Act, which ensures robust U.S. international engagement on emerging cyberspace issues. Specifically, the bill would establish a Senate-confirmed Ambassador for Cyberspace reporting to the Under Secretary for Political Affairs to lead the State Department's cyber diplomacy efforts, including cybersecurity, internet access, online rights, deterrence, and cyber crime, and calls on the Department to elevate these important functions to a Bureau led by an Assistant Secretary. Following passage of the legislation, the State Department proposed the creation of a Bureau for Cyberspace and the Digital Economy. This is a welcomed proposal and should be implemented soon, including by enacting H.R. 3776.

Sanctions Enforcement. Sanctions and related elements of financial pressure are key elements in the U.S. response to major challenges to our national security – from the fight against terrorism, to efforts to stop Iran and North Korea from developing nuclear weapons, to the response to Russian aggression. The U.S. also relies on a number of other financial tools—from disclosure and due-diligence requirements to investigations to dismantle criminal networks and malign actors. As the use of these tools continues to grow, we must ensure our agencies tasked with implementation – including the Departments of Treasury, State, Justice, Homeland Security, and Commerce as well as the intelligence and law enforcement communities – have the resources to keep up. Last summer, in response to ongoing threats against U.S. interests from Iran, Russia, and North Korea, Congress enacted the Countering America's Adversaries Through Sanctions Act (PL 115-44). The

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Committee has continued to build on this landmark legislation by pursuing further sanctions against the Iranian regime for its ballistic missile program, human rights abuses and hostage-taking, support for terrorist groups Hezbollah and Hamas, and support for the murderous Assad regime in Syria and the Houthi rebels in Yemen.

U.S. Policy in Iraq and Syria. The fight against ISIS has transitioned beyond the primary military campaign to a new phase focused on diminishing threats from ISIS affiliates and other violent extremist organizations, including state-sponsored, regional, and local terrorist groups. Territorial gains by coalition forces in the last year, including the destruction of ISIL at its core in Iraq and Syria, now must be converted into civilian-led efforts that anchor the Administration's strategic objectives in Syria and Iraq, including rolling back Iranian influence. To meet those objectives, U.S. assistance should focus on denying ISIS the ability to regroup as well as supporting local governments or partners as they work to stabilize liberated areas and enable the return of displaced populations, create opportunities for reconciliation, and combat corruption.

The Committee has consistently supported U.S. national security interests by advocating for a range of security, humanitarian, and stabilization efforts in Iraq. The Committee will continue to provide rigorous oversight, draw attention through hearings to Administration progress in achieving its strategic objectives, and seek to advance legislation that authorizes targeted humanitarian and stabilization assistance, supports the protection of persecuted religious and ethnic minorities, and holds accountable the perpetrators of human rights atrocities, war crimes, and genocide in Iraq and Syria.

Countering State and Non-State Propaganda. Now more than ever, it is critical that the U.S. is adequately resourced to respond to disinformation campaigns abroad. Building upon reforms to the Broadcasting Board of Governors (BBG) mandated in the FY 2017 NDAA – including the modernization of its management structure and the consolidation of it's so-called "surrogates" (Radio Free Europe-Radio Liberty, Radio Free Asia, and the Middle East Broadcasting Network) – the priority now is to sustain broadcasting on all platforms, facilitate cross-government coordination, and empower an aggressive and well-informed capability to counter propaganda with truthful reporting. New efforts are underway at the BBG, including a 24/7 Russian language program that broadcasts across borders to a reach a global, Russian-speaking audience with trustworthy information. Continuing to implement the mandated consolidation of BBG's "surrogates" will achieve cost savings and empower U.S. international broadcasting to serve as an effective counterweight to state-sponsored propaganda. In addition to BBG, the budget should support the new Global Engagement Center to counter state and non-state propaganda.

Wildlife Trafficking and Conservation. Wildlife trafficking continues to serve as an important terrorist finance mechanism, as the trafficking routes for ivory are the same routes criminal and terrorist organizations use to traffic guns, people, and drugs. Strong engagement is needed to continue to build the capacity of park rangers, law enforcement, and judicial processes abroad to bring an end to these illicit activities and bring criminals to justice. Last year, China officially closed its ivory markets and processing facilities. This was an important first step in addressing the high demand for these products in Asia, but more must be done. The Committee will continue to aggressively pursue full implementation of the END Wildlife Trafficking Act (PL 114-231). The first report was completed in November, which designated 26 focus countries and 3 countries of concern. The Committee will also take up the DELTA Act (H.R. 4819), which calls for greater

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transboundary cooperation in Angola, Botswana, and Namibia to combat threats to the greater Okavango River Basin, which is experiencing increasing poaching activity. Greater coordination is needed to address this threat and responsibly manage water resources that will spur economic growth in all three countries.

Food Aid Reform. Around the world, a record-breaking 66 million people have been displaced by conflict, 76 million people are in desperate need of emergency food, four countries are facing famine conditions, and over 800 million people suffer chronic hunger. The United States is by far the most consistent and generous donor of life-saving food assistance. In fact, food aid serves as the most visible symbol of the compassion of the American people. Yet food aid is not charity – it also advances our security, economic, *and* humanitarian interests. Hunger is a driver of political, economic, and physical insecurity. From 2007 through 2008, unprecedented spikes in the price of staple foods drove an estimated 150 million people into poverty, sparked riots in 30 countries, and destabilized large swaths of Africa, South Asia, Latin America, and the Middle East. Malnutrition is the single greatest contributor to under-five mortality rates in the developing world and undermines major U.S. investments in global health which, in FY 2017 alone, amounted to over $8.7 billion.

To keep pace with rising demands and finite resources, U.S. food aid programs must be efficient and adaptable. Despite some improvements, the P.L 480 Title II Food for Peace program has failed to keep pace with the changing nature of food crises around the globe. Outdated U.S. purchase and shipping requirements – requirements that do not meaningfully contribute to agricultural income or maritime readiness – ensure that U.S. food aid is too expensive, takes too long to arrive, and at times does more long-term damage than short-term good. The Committee will propose a middle-ground approach to reform, shifting the existing 93 percent U.S. purchase requirement to a 25 percent minimum requirement would result in $300 million in efficiency savings, which could then be used to reach an additional 9.5 million people with life-saving food. By comparison, the Administration has proposed eliminating all funding for Food for Peace in favor of the fully flexible Emergency Food Security Program (EFSP), which was authorized by Congress in 2016 and will be renewed this year. Should the Committee's efforts to reform Food for Peace fail, the President's request to shift resources to EFSP would be a sound option.

Economic Freedom. Inclusive, market-based economic growth is perhaps the single most important catalyst for poverty reduction in the developing world. Recognizing this, U.S. foreign assistance programs that break down the barriers to growth, support the growth of more stable societies, enable countries to harness their own resources for development, and open new markets for U.S. investment and trade are among the most valuable tools we have to advance the values and interests of the United States. Yet, beyond the work of the Millennium Challenge Corporation (MCC), the prior Administration consistently failed to prioritize activities that promote economic freedom and growth. This year, the Committee will seek to enact legislation that will once again place economic freedom and growth at the center of the U.S. development agenda. H.R. 3445, the AGOA and MCA Modernization Act, seeks to reduce poverty, accelerate economic growth, and enable developing countries, particularly in Africa, to transition from U.S. foreign aid recipients to U.S. trade partners by incentivizing good governance and open market principles, building trade capacity, promoting regional economic integration, and breaking down barriers to market-based growth. It has been passed by the House and is currently pending in the Senate, with strong prospects for enactment before the end of FY 2018. The FY 2019 budget therefore should provide sufficient resources for MCC, as well as for the other U.S. federal departments and agencies engaged in trade facilitation activities overseas, so they may succeed in this critical mission.

Development Finance Reform Our tools for development finance are dispersed across too many federal agencies, and the primary U.S. development finance institution, the Overseas Private Investment Corporation (OPIC), is effective but small, relying on outdated authorities and limited staff without the capacity to deploy the new array of financial tools that are transforming global finance. The FY 2019 President's Budget includes a proposal to consolidate development finance agencies and functions, such as OPIC and USAID's Development Credit Authority (DCA), into a single self-sustaining Development Finance Institution (DFI) with more modern and effective tools and reforms to protect taxpayer dollars. At a time of tight budgetary constraints, growing global capital flows, and China's growing international economic expansionism, this is an important proposal which should enhance America's global competitiveness, expand U.S. influence, and drive economic growth in the developing world. The Committee has been working with the Administration on legislation to implement this proposal and recommends that the new DFI be appropriately funded to transform developing economies and achieve broad-based, sustainable development where lack of access to capital is a critical limiting factor for economic growth.

CONCLUSION

The Committee hopes you will find the recommendations above useful as you consider allocations for the International Affairs budget in FY 2019. Please do not hesitate to contact Joan Condon with any questions or concerns.

Sincerely,

Ed Royce

EDWARD R. ROYCE
Chairman

Enclosure

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One Hundred Fifteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs

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March 2, 2018

The Honorable Steve Womack, Chairman
The Honorable John Yarmuth, Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Womack and Ranking Member Yarmuth:

As Democratic Members of the House Committee on Foreign Affairs, we write to share our views on the international affairs budget – or Function 150 – for Fiscal Years 2018 and 2019. As you know, Congress has not yet completed the FY 2018 appropriations process, and we believe it is essential that the international affairs budget be funded at no less than the FY 2017 enacted level of $59.1 billion for both FY 2018 and FY 2019. This top-level funding must be provided regardless of the amount of Overseas Contingency Operations or OCO funds that are available for the 150 account.

We were extremely disappointed that the President's FY 2019 budget again cut international affairs spending by nearly one-third. Unfortunately, President Trump has chosen to move away from the long-standing bipartisan consensus which has governed America's foreign policy. Rather than strengthening ties and bolstering alliances, he is pushing away America's closest friends and allies and continuing to isolate our country on the global stage.

Diplomacy and development keep America strong and our troops out of combat. Just last month, over 150 three and four-star generals and admirals sent a letter to Congress urging all of us to stop dangerous cuts to the State Department and USAID. We could not agree more. If we are unwilling to make adequate investments in diplomacy, we are telling our men and women in uniform that we won't spend pennies on the dollar to prevent a crisis which could put their lives at risk. In addition, Fortune 500 CEOs. faith leaders and former Secretaries of State from both parties have made clear to Congress the importance of fully funding the State Department, USAID and other agencies in the Function 150 Account.

As a co-equal branch of government with the power of the purse, Congress must take action when our country is moving in the wrong direction, and the international affairs budget is our most important tool to reinforce our partnerships around the globe.

The Honorable Steve Womack
The Honorable John Yarmuth
March 2, 2018
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We, therefore, urge support for a robust international affairs budget in FY 2018 and 2019 and look forward to working with you to ensure that the State Department, USAID and other federal agencies funded under the Function 150 account receive the resources they need to protect our security and effectively promote American interests and values around the world.

Thank you for your attention to this urgent matter.

Sincerely,

ELIOT L. ENGEL
Ranking Member
House Foreign Affairs Committee

BRAD SHERMAN
Ranking Member
Subcommittee on Asia and the Pacific

GREGORY W. MEEKS
Ranking Member
Subcommittee on Europe, Eurasia, and Emerging Threats

ALBIO SIRES
Ranking Member
Subcommittee on the Western Hemisphere

GERALD E. CONNOLLY
Member of Congress

THEODORE E. DEUTCH
Ranking Member
Subcommittee on the Middle East and North Africa

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The Honorable John Yarmuth
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Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations

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Ranking Member
Subcommittee on Terrorism, Nonproliferation, and Trade

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Member of Congress

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NORMA J. TORRES
Member of Congress

BRADLEY S. SCHNEIDER
Member of Congress

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Thomas R. Suozzi

THOMAS R. SUOZZI
Member of Congress

ADRIANO ESPAILLAT
Member of Congress

Ted W. Lieu

TED W. LIEU
Member of Congress

THE VIEWS AND ESTIMATES
OF THE
COMMITTEE ON HOMELAND SECURITY
FOR FISCAL YEAR 2019
FOR THE DEPARTMENT OF HOMELAND SECURITY

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 *et seq.*), the Committee on Homeland Security (the Committee) is transmitting the attached Views and Estimates on matters within its jurisdiction or functions to be set forth in the budget of Fiscal Year (FY) 2019 to the House Committee on the Budget. These Views and Estimates were circulated to all Members of the Committee for review and comment.

Discussion of the FY 19 budget is complicated by the fact that DHS is operating on a continuing resolution that expires on March 23, 2018. However, under the current threat environment, the Nation's homeland security is at significant risk, and Congress and the Administration have a duty to ensure the American people are secure. As the Budget Committee moves forward with its work, it should strongly consider our Committee's priorities to ensure the Budget reflects these important issues:

- Preventing terrorist attacks on the homeland and destroying ISIS;
- Securing America's borders;
- Protecting against cyber-attacks;
- Reauthorization of the Department;
- Ensuring effective management, including reforming the acquisition process, and oversight of DHS;
- Reforming transportation security; and
- Improving disaster preparedness and focus on the preparedness, training and safety of first responders.

On February 12, 2018, President Trump released his FY 2019 budget request to the United States Congress. The President seeks over $47 billion in net discretionary funding for the Department of Homeland Security (DHS). The President's budget includes:

DEPARTMENTAL MANAGEMENT AND OPERATIONS
OFFICE OF THE SECRETARY AND EXECUTIVE MANAGEMENT (OSEM)
This funding includes the Secretary's office and other DHS Headquarters offices. OSEM directs and leads management of the Department and provides policy guidance to operating bureaus within the organization; plans and executes departmental strategies to accomplish agency objectives; and provides leadership to the Department.

President's Request: The FY 19 budget requests $128.8 million for OSEM, which is an $8 million decrease from the FY 17 enacted level. The President's budget includes funding for the Office of Civil Rights and Civil Liberties, Privacy Office, Office of Policy, among others. The request includes a $1.2 million increase for the Immigration Data Integration Initiative in order implement, manage, and share accurate immigration data between components.

Committee's View: **Supports.** The Committee supports DHS's effort to strike an appropriate balance between strong Departmental oversight and prioritizing frontline operations.

OFFICE OF THE UNDER SECRETARY FOR MANAGEMENT (USM)
The Under Secretary for Management (USM) oversees management and operations of the Department, including procurement and acquisition, human capital policy, security, planning and systems, facilities, property, equipment, and administrative services for the Department.

President's Request: The FY 19 budget requests $1.08 billion for the Management Directorate, which is a 60% increase from the FY 17 enacted level, mostly due to Working Capital Fund transfers to the Office of the Chief Information Officer and the Office of the Chief Human Capital Officer. The total amount also funds the Immediate Office of the Under Secretary for Management, the Office of the Chief Readiness Support Officer, the Office of the Chief Security Officer, the Office of the Chief Procurement Officer, and the Office of the Chief Financial Officer.

Committee's View: **Supports.** The Committee supports the Department's commitment to strong leadership and oversight to achieve enterprise-wide efficiencies and eliminate redundancies. However, while proper management is critical for DHS to effectively implement its mission, DHS should prioritize front line operations as much as possible.

OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)
OCFO handles basic support for financial and budget operations for DHS. OCFO provides support funding for budget policy and operations; program analysis and evaluation; development of Departmental financial management policies, including consolidated financial statements; management of Department internal controls; and Department-wide oversight of grants and assistance awards and resource management systems.

President's Request: The FY19 budget requests $107.9 million for OCFO, including $39.0 million in funding for the Department's financial systems modernization project.

Committee's View: **Conditionally Support.** We commend DHS for achieving a clean audit opinion for the fifth consecutive year and support funding for continued improvements in the Department's financial and budget operations. While the Committee supports the goal of modernizing the Department's financial systems, it remains unclear how successful DHS's transition from the failed federal shared service provider to a commercial provider will be at reducing costs and increasing efficiency. We urge the Department to continue heightened oversight over modernizing financial systems to avoid further waste and inefficiency.

OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO)
The OCIO is responsible for the information technology (IT) projects of the Department. The OCIO provides IT leadership, IT governance, products, and services to ensure the effective and appropriate use of information technology across DHS. OCIO also leads the DHS Information Security Program, which includes oversight and coordination of activities associated with the Federal Information Security Modernization Act (FISMA).

President's Request: The FY 19 budget requests $407.6 million. The request includes $53.9 million transferred from the Working Capital Fund for OneNet, which is a group of initiatives to unify separate component IT systems into enterprise-wide IT services.

Committee's View: **Supports**. The Committee supports the CIO's mission to align DHS IT systems and resources to support enterprise-wide missions and activities.

Additionally, the OCIO oversees the development and implementation of the DHS Data Framework (DF), which is the system to ingest data across DHS to enhance both unclassified and classified analysis, information sharing, and investigations using this data. The Committee supports the $3.27 million requested in FY19 for this program, which is a modest increase of $342,000 above FY17 enacted funding. We note, however, that with additional funds more data sets and functionality could be included in the DF.

OFFICE OF THE CHIEF PROCUREMENT OFFICER (OCPO)
OCPO oversees procurement and acquisition at the Department. OCPO works to strengthen the acquisition framework to avoid cost overruns and schedule delays of DHS's acquisition programs.

President's Request: The FY 19 budget requests $103.2 million for OCPO. The Committees commends DHS for 100% of Level 1 and Level 2 acquisitions programs having an approved Acquisition Program Baseline.

Committee's View: **Supports**. The Committee recognizes DHS's efforts to mature its acquisition framework. In order to preserve and promote strong acquisition processes throughout DHS, the Committee included serval acquisition provisions in the House passed DHS reauthorization legislation, H.R. 2825. However, rigorous oversight is necessary to ensure DHS receives needed capabilities and that taxpayer dollars are not put to waste.

DEPARTMENT OF HOMELAND SECURITY CONSOLIDATED HEADQUARTERS PROJECT
This funding provides resources for building, equipping, relocation expenses, and operations costs for the Department's consolidated headquarters at St. Elizabeth's.

President's Request: The FY19 budget requests $231.2 million for the HQ Consolidation Project. This funding will be used for the construction of a new FEMA headquarters at the St. Elizabeth's campus ($171.1 million) and operational support costs ($55.1 million).

Committee's View: **Conditionally Support.** Committee legislation, the *Department of Homeland Security Headquarters Consolidation Accountability Act of 2015,* was signed into law on April 29, 2016 (P.L. 114-150) to require DHS to fully implement recommendations outlined in GAO's report, *Federal Real Property: DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation* (GAO-14-648). Unfortunately, the Department has yet to comply with the requirements prescribed in the law and still has not submitted to Congress information on the implementation of the enhanced plan for headquarters consolidation. While the Committee appreciates the Department's consolidation efforts to shrink its footprint, the Committee urges caution for funding moving forward and reiterates that DHS should work to curtail further delays and cost overruns and fully address all requirements of Public Law No: 114-150.

ANALYSIS AND OPERATIONS (A&O)
The Analysis and Operations funding provides resources for the support of the Office of Intelligence and Analysis (I&A) and the Office of Operations Coordination (OPS).

President's Request: The combined A&O account request is $253.2 million for FY19. The combined top line represents a $10 million decrease from the FY17 enacted funding level but does provide approximately 33 additional positions. The specific details of the A&O account are classified.

Committee's View: The Committee conditionally supports the FY19 budget request for A&O. The Committee supports the important missions of I&A and OPS. In particular, the Committee supports funding for DHS insider threat and counterintelligence programs and is concerned that DHS is not dedicating sufficient resources for technological tools or personnel to address these threats. On January 31, 2017, H.R. 666, the *Department of Homeland Security Insider Threat and Mitigation Act of 2017* passed the House. This bill authorizes an Insider Threat Program within the Department, mandates employee education and training programs, and establishes an internal DHS Steering Committee to manage and coordinate DHS activities related to insider threat issues. Continued support for this effort will help ensure classified and sensitive information is protected.

The FY19 budget request proposes a total of 878 positions between the two agencies, which is an increase of 33 positions over FY17 enacted levels. The Committee supports the additional personnel but remains concerned about the number of senior staff. The request includes 2 additional personnel at the Senior Executive Service (SES) level for a total of 29. The SES staffing plus GS-15 is a total of 161positions for A&O, which is approximately 18 percent of the combined workforce. The Committee is also concerned about the limited number of individuals I&A deploys to support DHS components and State and local stakeholders.

In December 2016, the Committee released a report examining the Department of Homeland Security Intelligence Enterprise (DHS IE), which included 34 recommendations for improving the effectiveness of the DHS IE. We believe that a number of these recommendations could lead to cost savings, including reduction in duplication of policy creation and redundant inter-agency agreements by having an empowered DHS IE leader in the Chief Intelligence Officer. One area addressed in the report is the role of I&A with DHS component intelligence entities, including

Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). It is essential that I&A serve as a conduit between DHS agencies and the Intelligence Community to ensure that critical threat information is shared and analyzed. The Committee is concerned about efforts by CBP and ICE to become stand-alone members of the Intelligence Community. Before the Secretary of Homeland Security takes any action to approve or deny these proposals, additional Congressional oversight is required.

OFFICE OF THE INSPECTOR GENERAL (OIG)
OIG conducts and supervises audits, inspections, special reviews, and investigations of the Department's programs. OIG also provides recommendations for DHS to more efficiently carry out its mission.

President's Request: The FY19 budget requests $162.4 million in funding for OIG, which includes a $24.0 million transfer from FEMA's Disaster Relief Fund. The FY19 budget request reflects a $12 million decrease from FY17 enacted levels.

Committee's View: **Oppose.** The Committee opposes the FY19 budget request and supports funding for OIG at the Inspector General's requested level of $184.4 million. We believe that reductions to OIG's budget concurrent with increases in the budget and activities of the Department as called for by the FY19 budget would critically impair OIG's ability to carry out its statutory and oversight responsibilities. We believe that funds for OIG provide a positive return on investment by increasing the opportunities for oversight and transparency to Congress. The Committee also supports maintaining the FY17 appropriations decision to discontinue the practice of transferring money from the FEMA Disaster Relief Fund to OIG for audits of disaster related activities and to consolidate funds into one appropriation to provide greater organizational and employee knowledge and flexibility. OIG's requested level of $184.4 million represents the top line number of a single consolidated appropriation.

CUSTOMS AND BORDER PROTECTION (CBP)
Customs and Border Protection (CBP) provides an essential service to our nation's homeland security by working to secure our borders. Improving border security remains a key priority for the Committee. During the 115th Congress, the Committee has passed and intends to continue to pass critical legislation that supports this Administration's plan to gain and maintain operational control of our borders. The Committee will continue to work with the Department of Homeland Security (DHS), House Leadership, other committees, the Senate, and other stakeholders to codify a comprehensive border security strategy that keeps terrorists, criminals, and illegal traffic out of the country – while facilitating legitimate trade and travel.

President's Request: $16.7 billion in budget authority, an increase of $2.25 billion above FY17 enacted. This equates to 22 percent of the entire Department of Homeland Security budget.

Committee's View: Due to the size of this account, the Committee has provided the following views on the specific sections in Salaries and Expenses:

Border Security Metrics
While we strongly support border security, the Committee remains concerned with the lack of border security metrics in place for Congress to assess the effectiveness or return on investment from the significant Congressional expenditures dedicated to border security. Unfortunately, the performance metrics generally associated with border security are often measures of activity rather than serious indicators of border security progress and effectiveness. The Department must establish metrics to track border security performance and calculate risk at all ports of entry, incorporating overstays, individuals that successfully avoid detention at or between ports of entry, and those that are deterred. Without these metrics, increased technology, infrastructure, and hiring investments will continue to go unsupported by data. As a starting point, DHS must fully comply with section 1092 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328). The deadline to submit these metrics was January 31, 2018 and is now past due.

Border Technology & Infrastructure
The Committee strongly supports the use of technology to supplement the infrastructure and personnel currently deployed on the border. As exemplified in the Committee-passed *Border Security for America Act of 2017* (H.R. 3548), we believe a sector-by-sector approach will best match force multipliers to what is needed in each are along the border. These deployments would include additional helicopters, maritime patrol aircraft, tower based surveillance, ground sensors, tunnel detection equipment among other enabling technology. The Committee also supports requiring the Department to document approved baselines, costs, schedules, performance thresholds, and compliance with the Federal Acquisition Regulation Guidelines for its major border security technology acquisition programs that have life-cycle costs of $300 million or more. The Committee also strongly encourages the Department to develop a testing and evaluation plan and use independent verification for new border security technologies, as required in the *Border Security Technology Accountability Act of 2017* (H.R. 505) which has passed the House.

Technology has been a powerful force multiplier for border security operations and the Committee believes that, when appropriate, the Department should leverage Department of Defense capabilities, especially when it comes to geospatial intelligence. This capability allows Department leadership to deploy resources and agents in the proper locations on the border, commensurate with the threat. The Committee supports funding to continue this type of work on the southern and northern borders.

In addition, the Committee supports additional funding to improve and replace fencing along the border, and construct a border wall system. In many instances, infrastructure construction on the southwest border was done quickly in an ad hoc manner. As a result, there are many of miles of fencing on the southwest border in need of replacement either because they fail to effectively act as a first line of defense or are too easily breached. Additionally, the Committee supports appropriate funding for road maintenance and road construction to support wall construction and hard to access areas of the border. The Committee has passed legislative authorization to allow for swift, smart, risk-based deployment of additional barriers along the southern border and has submitted similar language as part of the *Securing America's Future Act of 2018* (H.R. 4760), the comprehensive border security and immigration bill with the most Republican support in the House.

Customs and Border Protection Staffing
The Committee continues to support efforts by CBP to utilize increased automation in the inspection and clearance process, and understands CBP's concerns that, without enough officers, increasing international travel volumes may result in longer wait times at the border. The Committee believes that increasing the number of U.S. Border Patrol agents, CBP officers, CBP K–9 units and handlers, Horseback Units, Agricultural Specialists, and other specialized units will increase our ability to stop the flow of illegal immigration and drug smuggling. While the Committee supports increasing authorized CBP staffing levels consistent with the Administration's vision, to hire, train, and assign 26,370 Border Patrol agents (increase of 5,000), and 27,725 Customs Officers (increase of 5,000), we note that serious recruiting and retention challenges exist. The Border Patrol has not met its Congressionally mandated hiring authorization since FY14. The House passed the Committee's *Anti-Border Corruption Reauthorization Act of 2017* in June, which would immediately address this issue and expedite the hiring process for certain, well qualified applicants who have already proven themselves trustworthy as a law enforcement officer or as a member of our military. In tandem with increasing staffing levels, the Committee emphasizes the need for CBP recruitment and retention bonuses, special pay for new CBP officers assigned to the remote and hard-to-fill locations in order to retain and attract qualified law enforcement personnel. Based on the work-flow staffing model, to match increases in traveler volumes, CBP must also continue to maximize technologies such as passport control kiosks and expand trusted traveler programs, like Global Entry, to continue to reduce wait times. However, the Committee again opposes increases to the Immigration Inspection User Fee (IUF) and Consolidated Omnibus Budget Reconciliation Act (COBRA) fees as proposed in the President's budget.

Preclearance
The Committee supports U.S. Customs and Border Protection efforts to "push the border out." This includes the Immigration Advisory Program (discussed below), and the growing effort of CBP to establish Preclearance facilities in foreign airports. The Committee believes that Preclearance is a very effective operation that has been successful in keeping ineligible travelers and potentially dangerous goods from reaching the United States and efforts to expand are worthwhile. However, such efforts to expand must be done in a risk-based, as well as transparent manner, and must not cause a significant burden on our nation's domestic airlines. Additionally, CBP must take special care to comply with the reporting requirements of subtitle B of Title VIII of the *Trade Facilitation and Trade Enforcement Act of 2015* (Public Law 114-125).

Immigration Advisory Program
The Committee supports CBP's efforts to screen people and goods before arriving on American soil, including efforts like CBP's Immigration Advisory Program (IAP). IAP stations CBP officers abroad, to prevent terrorists and other inadmissible persons from boarding commercial aircraft destined for the United States. In places where IAP officers are deployed, there has been a significant reduction in the number of improperly documented passengers traveling from or through a country to the United States. IAP should be expanded to additional last points of

departure to the United States, especially to those last points of departure with significant Terrorist Screening Database (TSDB) hits.

Port of Entry Infrastructure
Our nation's air, land, and sea ports of entry are in need of improvements and modernization to enhance and improve the Department's efforts to secure our borders and facilitate legitimate travel, trade, and commerce. DHS must be transparent with Congress about its prioritization of port of entry infrastructure and the methods and models used to arrive at its outcomes. Additionally, DHS must aggressively use the authorities granted to it under the *Cross-Border Trade Enhancement Act of 2016* (Public Law 114-279) to enter into Public Private Partnerships with willing partners in both the public and private sector to make much needed improvements at our nation's land, air, and sea ports.

Office of Air and Marine Recapitalization
The Committee fully supports funding for Air and Marine Operations (AMO) to further modernize its fleet of aircraft. CBP has made improvements to its aging air assets but in order to fund the continuation of its recapitalization program, the President's budget must provide the appropriate level of additional funding needed, which it has failed to do so in the past. AMOs aircraft fleet includes forty year-old P-3 aircraft and second hand U.S. Army H-60 Blackhawk helicopters. This aging fleet is becoming increasingly obsolete, cost prohibitive and less able to assist the Border Patrol, other DHS agencies, and the Joint Interagency Task Force - South in securing the border. Additionally, the President's budget in the past has reduced CBP's ability to patrol the border, through a reduction in the number of funded flight hours. This remains deeply concerning.

DHS's continued reliance on the National Guard to supplement reductions to Air and Marine's flight budget is, at best, a temporary solution, and CBP's Air and Marine budget should fund the full amount of flight hours needed to organically meet the nation's border security requirements. AMO's vessels also must be recapitalized, as marine interdiction is a vital element of DHS's layered approach to maritime security. The Committee supports funding for the Coastal Interceptor Vessel (CIV) to combat the Panga threat off the coast of California. Pangas are small, open vessels that use their relatively high speed and small radar signature capabilities to evade detection. A lack of adequate funding for the CIV could jeopardize the security of our coastal regions. The Committee also supports other efforts to mitigate the Panga threat including establishing AMO operating bases in closer proximity along the California coast.

IMMIGRATION AND CUSTOMS ENFORCEMENT (ICE)
Immigration and Customs Enforcement (ICE) enforces federal laws governing border control, customs, trade and immigration to promote homeland security and public safety. ICE was created through a merger of the investigative and interior enforcement elements of the former U.S. Customs Service and the Immigration and Naturalization Service. ICE now has more than 20,000 employees in more than 400 offices in the United States and 50 foreign countries.

President's Request: The FY19 budget requests $8.8 billion in budget authority, an increase of $2.0 billion above FY17 enacted. This equates to 12 percent of the entire Department of Homeland Security budget.

Committee's View: Due to the size of this account, the Committee has provided the following views on the specific sections in Salaries and Expenses:

State and Local Cooperation
The Committee supports cooperative efforts between ICE and State and local law enforcement agencies, including the continued use of the 287(g) program. The 287(g) program is a cooperative initiative between the Federal government and states/localities which enables specially trained state and local officers to perform immigration enforcement functions. The Committee supports leveraging effective 287(g) partnerships, as utilized by the 287(g) jail model.

Enforcement and Removal
The Committee supports maintaining, at a minimum, FY 2017 levels of adult detention bed space, as well as increasing family unit detention capacity. There was a significant growth in family units crossing the Southwest border in FY 2014 and early projections for FY 2018 are similar to the FY 2014 emergency levels. Additional detention space for family units is necessary to deter individuals from crossing the border illegally, and given the length of time it will take to have their cases adjudicated by an immigration judge. Given the Administration's stated efforts to prioritize the detention and removal of criminal aliens, it is also essential that sufficient adult bed space is funded, especially for the most dangerous aliens.

The Committee recognizes the significant cost of detaining aliens in federally operated detention facilities, and supports further efforts to find efficiencies and reduce costs within existing detention facilities to pay for detention related expenses. While the Committee would prefer greater detention capacity, it recognizes improvements and cost efficiencies related to the Alternatives to Detention (ATD) program. While the Committee opposes the expansion of ATD in lieu of mandatory detention, the Committee does support enrolling as many people as possible in the Alternative to Detention program, who would otherwise be unmonitored or non-detained.

Visa Security Program
The Committee fully supports the expansion of the Visa Security Program (VSP) beyond the current 33 locations. The VSP allows ICE personnel to work alongside consular officials to assist in screening visa applications abroad and conduct law enforcement visa security activities focused on threats, trends, and other topics affecting visa adjudication. This program is a significant asset in the 'outer ring of border security' that supports and strengthens the Department's counterterrorism mission by helping to ensure dangerous applicants do not step foot on American soil.

The Committee strongly supports the expansion of the VSP to additional U.S. consular posts in high-risk countries, and supports additional efforts to increase visa vetting of potential terrorists, including the Pre-Adjudicated Threat Recognition and Intelligence Operations Teams (PATRIOT). The Committee supports efforts to increase vetting both domestically and abroad, and supports the expansion of PATRIOT beyond current Visa Security Program locations. The Committee remains concerned regarding the pace of expansion of the program, despite efforts by the Department of State and ICE to identify high-risk posts which would benefit from expansion of this program.

TRANSPORTATION SECURITY ADMINISTRATION (TSA)

The Transportation Security Administration (TSA) was created to strengthen the security of the nation's transportation systems and ensure the freedom of movement for people and commerce. TSA uses a risk-based strategy and works closely with transportation, law enforcement and intelligence communities in transportation security.

President's Request: The President's FY19 budget requests $7.7 billion for TSA. This request is a $143.8 million increase from the FY 18 request and a $76.3 million increase from the FY 17 enacted level.

Committee's View: **Support.** This budget supports TSA's central mission of protecting the nation's transportation systems. The Committee will continue to hold TSA accountable by developing new legislation to reform existing transportation programs, promote private sector engagement, reduce regulatory burdens on the transportation industry, demand accountability for the TSA workforce, and ensure the deployment of effective security technologies. The Committee's goal is to reauthorize TSA for the first time.

Screener Workforce

TSA is taking efforts to employ a multi-layered, risk-based, intelligence-driven approach to its mission and operations. Through risk-based security (RBS) initiatives, TSA is focusing its resources on enhancing its operations. The Committee recognizes that passenger volume at many domestic airports continues to grow at a rapid pace, requiring more screeners to keep checkpoints functioning properly. However, the Committee remains concerned by TSA's high employee attrition rate, which may impact screening effectiveness and efficiency.

President's Request: The President's budget requests $3.2 billion to fund 43,877 Transportation Security Officers (TSOs), which comprise the large majority of the screener workforce. The request is a $63.7 million and 687 FTE increase from the FY 18 request, and 29.3 million and 1,123 FTEs below the FY 17 enacted level.

Committee's View: **Support.** The Committee supports ensuring adequate staffing to meet growing passenger volume. It should be noted, however, that while the Committee supports TSA continuing to move away from a one-size-fits-all approach to security, challenges remain with regard to ensuring adequate vetting of travelers who receive expedited screening. The Committee hopes that additional FTE will enable TSA to improve its overall screening effectiveness and robustly correct challenges identified in recent covert testing conducted by the Department of Homeland Security Inspector General.

Federal Air Marshal Service (FAMS)

The Federal Air Marshal Service *(FAMS)* is designed to promote confidence in civil aviation by effectively deploying Federal Air Marshals to detect, deter, and defeat hostile acts targeting the United States.

President's Request: The President's budget requests $779.2 million for FAMS. This includes a $26.1 million reduction to the organization's payroll, which will be carried out via a hiring freeze and managed attrition. The total is request is 24.7 million below the FY 18 request and 23.8 million below the FY 17 enacted level.

Committee's View: **Conditionally Support.** The Committee generally supports the efficiencies that will be achieved by this budget request but more work must be done, outside of consolidating the size of the workforce, to improve the organization. The Committee will continue to conduct rigorous oversight of issues such as FAMS' training, performance metrics, employee integrity, and the agency's Concept of Operations for both international and domestic flight coverage.

Passenger Screening Program
This line item supports the purchase, installation, and maintenance of passenger screening technologies, including Computed Tomography (CT) systems, Explosives Detection Systems, and Explosives Trace Detection machines.

President's Request: The President's budget requests $71.5 million for the Passenger Screening Program, an increase of $70.6 million from the FY 18 request but $22.5 million below the FY 17 enacted level. The request will fund the procurement and development of 145 CT systems. The request also includes $2.4 million for 19 Transportation Security Specialists – Explosives FTEs to respond to the expected increase in alarm rates.

Committee's View: **Conditionally Support.** The Committee believes that CT technology will be one the best defenses against the dynamic threat facing America's aviation system. While the Committee is pleased the President's budget includes a significant increase in funding for CT technology, the Committee does not believe the request is sufficient and does not fund the number of CT systems needed given the current nature of the threat. The Committee remains concerned about the rate at which TSA will be able to deploy CT technology and urges TSA to continue its efforts to deploy systems as quickly as possible while ensuring the technology meets the current threat landscape. Therefore, the Committee will continue to conduct oversight of the capabilities and utilization of CT, and other passenger screening technologies, as well as TSA's acquisition policies. In addition, while some improvements have been made, TSA needs to prioritize how it communicates its future technology needs, in order to provide a clearer road map to incentivize private sector innovation, and ensure its investments in technology are long-term strategic decisions that address not just the threats of today, but the threats of tomorrow.

The Committee supports fully funding CT development and deployment, and intends to find an offset within TSA to fund CT as this is considered a top tier priority. Recent pilot programs and Committee oversight have found that CT is a significant improvement over currently-fielded technologies, and TSA should ensure aggressive efforts to refine and deploy CT.

National Explosives Detection Canine Team Program
The National Explosives Canine Team Program (NEDCTP) trains and deploys certified explosives detection canine teams to deter and detect the introduction of explosive devices into

the transportation system. Bombs threats cause disruption of air, land, and sea commerce and pose an unacceptable danger to the traveling public.

President's Request: The President's budget request for the NEDCTP for FY 19 stands at $152.2 million, which is $462 thousand dollars above the FY 18 request and $1.7 million below the FY 17 enacted levels.

Committee's View: **Support.** The Committee strongly supports adequate funding for the important security benefit provided by explosives detection canines, and intends to continue oversight of the program to ensure its continued effectiveness.

Law Enforcement Officer Reimbursement Program
The Law Enforcement Officer (LEO) Reimbursement Program partially reimburses state and local authorities for expenses related to stationing their officers in airports pursuant to airport security agreements. These LEOs provide security and incident response support to airports.

President's Request: The President's budget request eliminates personnel and support costs associated with the LEO Reimbursement Program Management Office. This includes a reduction of $1.3 million and 12 FTP/FTEs. This decrease builds upon the FY 18 request, which eliminated all non-pay activities of the LEO Reimbursement Program Management Office. At the FY 17 enacted level, the Law Enforcement Reimbursement Program received $45.2 million

Committee's View: **Oppose.** The Committee believes state and local law enforcement plays an important role in ensuring the safety of the traveling public at America's airports. The state and local LEOs stationed in airports provide an additional, visible security presence, can act as a force multiplier, and are valuable liaisons between airport law enforcement authorities and federal partners. Given the existing strain of state and local law enforcement resources, the Committee is concerned that cutting the LEO Reimbursement Program will hinder state and local authorities' ability to support airport security operations, hurting aviation security overall.

Surface Transportation Security
This funding supports TSA's surface transportation operations that are conducted in coordination with Federal, state, and local entities.

President's Request: The President's budget request stands at $73.8 million, representing a $13 million decrease from last year's budget request and a $36.4 million decrease from the FY 17 enacted level.

Committee's View: **Conditionally Oppose.** The Committee would like to see TSA align surface transportation security resources more closely with current threats to our critical transportation infrastructure; TSA's surface transportation security initiatives should be risk-based, and resources should be dedicated to programs that have been proven effective. To that end, the Committee encourages TSA to refine its operations by working with private sector stakeholders, as well as state and local law enforcement in the surface environment to become more intelligence-driven and focused on detecting and deterring threats. Moreover, the Committee believes that the surface sector's unique vulnerability to threats requires more focus from TSA.

UNITED STATES COAST GUARD
The United States Coast Guard (USCG) is charged with safeguarding our nation's maritime security interests and is one of the five U.S. armed services.

President's Request: $11.65 billion in budget authority, an increase of $980.9 million above FY17 enacted. This equates to 16 percent of the entire Department of Homeland Security budget.

Committee's View: **Support.** The Committee supports full funding for Coast Guard operating expenses; operating funds and unit level maintenance funds for intermediate and depot level maintenance. Increased operational funding for Coast Guard will allow additional aircraft hours for maritime surveillance in support of drug and migrant interdiction as well as port, waterways and coastal security missions. The Committee believes reducing flight hours will directly impact the USCG's ability to maintain situational awareness and react to threats to the homeland. The Committee strongly supports supplemental funding to fully repair USCG facilities and assets after the devastating 2017 hurricane season. The Committee also believes that increases to USCG assets, personnel, operational hours, and required maintenance must be accounted for in any border security funding, as securing the vast maritime border is a critical part of a comprehensive border security plan.

USCG Recapitalization
While the USCG has made progress in procuring replacement assets, the age of the cutter and aircraft fleet will likely require decommissioning more cutters and aircraft before replacements are operational, which will create significant gaps in capability. Although the FY 2016 Omnibus did fund a ninth National Security Cutter, further failure to adequately fund existing assets and account for maintenance costs (such as intermediate and depot level maintenance) will limit the service's ability to keep its aging assets operational and deployed to conduct homeland and border security missions. The FY19 budget must account for increased operational expenses beyond the initial program of record for eight National Security Cutters.

The Committee strongly supports the funding for the full contract complement of six Fast Response Cutters (FRCs). These cutters, primarily designed to conduct law enforcement, drug and migrant operations, and search and rescue missions with the ability to quickly arrive on-scene, are essential to replacing the 110-foot patrol boats which have passed their expected service lives. The Committee is concerned that cutting USCG acquisition funding will further delay the already slow pace of recapitalization efforts. USCG Medium Endurance Cutters have been in service for well over forty years and have seen a significant decrease in operational hours due to costly maintenance. While a contract was awarded for the Offshore Patrol Cutter (OPC) in FY17, the Department must ensure this critical acquisition is funded in a consistent manner in future fiscal years so that the USCG can complete the full program of record on schedule and provide capability downrange. Recapitalization of the Coast Guard fleet is vital to the nation's maritime security, and thus, a priority for this Committee.

The Committee supports funding for activities involved with a new polar icebreaker and is encouraged by efforts to move forward in identifying requirements for a new icebreaker. The Committee is concerned the Coast Guard's polar icebreaking fleet consists of only one remaining heavy icebreaker which is forty years old.

Additionally, the Committee supports funding for the research, development, and procurement of a viable unmanned aerial system (UAS) that can be deployed and recovered off USCG surface assets, as well as land-based UAS to increase maritime patrol aircraft hours in the Transit Zone. A functioning UAS program will greatly enhance maritime domain awareness while reducing the burden on a limited number of aging manned airframes.

Cybersecurity at Ports
The Committee has identified the Coast Guard's role in combatting cybersecurity vulnerabilities at ports as critical to the Marine Transportation System and to the security of the supply chain. The Committee supports increased funding for the Coast Guard to expand its programs to evaluate cybersecurity risks and mitigation efforts at the nation's maritime ports and introduced the *Strengthening Cybersecurity Information Sharing and Coordination in Our Ports Act of 2017* (H.R. 3101) to codify this recommendation which has since passed the House.

UNITED STATES SECRET SERVICE
The United States Secret Service (USSS) protects and investigates threats against U.S officials, visiting leaders, and other individuals as directed by the President. The Agency also investigates violations of laws relating to financial and electronic crimes, including but not limited to: counterfeiting, fraud, identity theft, and computer-based attacks.

President's Request: The President's budget requests $2.4 billion for the Secret Service. This request represents a $207.9 million increase over the FY 18 request, and a $106. million increase over the FY 17 enacted level.

Committee's View: **Conditionally Support.** The Committee encourages a budget request that supports the recommendations made in the United States Secret Service Protective Mission Panel (PMP) to improve the management of this critical agency. Line items such as USSS training and personnel; perimeter security, technology, and operations; and leadership should all be in line with the implementation of the recommendations of the PMP. Furthermore, the Committee feels the National Criminal Forensics Institute (NCFI) should be properly resourced.

USSS Staffing
The Secret Service has been plagued by a manpower shortage for years. This has forced USSS employees to work extensive overtime, some of which would have been unpaid without Congressional action, negatively impacted work-life balance, and limited opportunities for training. In fact, one of the key recommendations from the independent PMP was to dramatically increase the USSS workforce.

President's Request: The President's budget requests $1389.3 million to fund 7,334 FTEs. This is a $65.1 million and 400 FTE increase over the FY 18 request and a $123.4 million and 746 FTE increase over the FY 17 enacted level. The budget also requests an additional $82.0 million for 226 FTEs in order to allow for the continued growth of the USSS workforce. The increase will help the Secret Service achieve its goal of 7,600 FTEs by the end of FY 19.

Committee's View: **Support.** The Committee believes the increased funding supports the USSS Human Capital Strategic Plan and will help overcome several years of attrition and high turnover. The Committee remains committed to working with the Secret Service to ensure the USSS has the internal policies, tools, and resources needed to address manpower shortages.

Presidential Campaigns and National Special Security Events
The Secret Service is the lead agency for planning and executing security plans for National Special Security Events (NSSEs), such as U.N. General Assembly and State of the Union Address. In addition to their fulltime protectees, USSS is also responsible for providing security for other dignitaries that participate in an NSSE. Presidential campaign seasons require the USSS to devote an immense amount of resources and manpower to successfully protect of all major candidates and coordinate associated NSSEs, such as the Republican and Democratic National Conventions and Presidential Inauguration. The USSS begins preparing for presidential campaigns several years in advance.

President's Request: The President's budget requests $28.5M for presidential campaigns and NSSEs, a $24.0 million increase from the FY18 request, and $23.2 million decrease from the FY 17 enacted level. The increase would be used to begin preparations for the 2020 Presidential Campaign, including training and procuring the equipment and supplies needed to support protective operations.

Committee's View: **Support.** The 2016 Presidential Campaign was a tremendous undertaking, with respect to both resources and manpower. The Committee received regular updates from the Secret Service throughout the campaign and traveled to the Republican and Democratic National Conventions to observe USSS operations firsthand. Based on observations and oversight, the Committee is supportive of this funding and encourages the Secret Service to continue preparing for the 2020 Presidential Campaign as early as practicable.

National Criminal Forensics Institute
The National Criminal Forensics Institute (NCFI) is a training center run by the United States Secret Service's Criminal Investigative Division and the Alabama Office of Prosecution Services. It provides state and local law enforcement with training on current cybercrime trends, investigative methods, and prosecutorial and judicial challenges. In the 115th Congress, the Committee passed authorizing legislation for this program, which was signed into law by the President at Public Law 115-76 on November 2, 2017.

President's Request: The President's budget requests $4.0 million for the NCIF, which was not funded in the FY 18 request. This request, however, is still roughly $9.9 million lower than the enacted FY 2017 level.

Committee's View: **Conditionally Support.** The Committee is pleased that this budget requests additional funding for the NCFI, which was previously cut in prior budget requests. The Committee supports the work of the NCFI and the assistance it provides to state and local law enforcement partners. As such, the NCFI should be funded in a manner that allows it to continue to perform its important mission.

NATIONAL PROTECTION AND PROGRAMS DIRECTORATE (NPPD)
The National Protection and Programs Directorate (NPPD) enhances the security and resiliency of the Nation's critical infrastructure and coordinates a national effort to manage risks from natural disasters, terrorist attacks, cyber threats, or other large-scale incidents.

President's Request: The President requests \$3.35 billion for FY19, an increase of \$78 million from FY17 enacted. In the first session of the 115th Congress, the House passed H.R. 3359, a bill to authorize the key functions of NPPD and elevate those functions to an independent Cybersecurity and Infrastructure Security Agency and continues to support the advancement of this legislation.

INFRASTRUCTURE PROTECTION AND INFORMATION SECURITY
Infrastructure Protection and Information Security (IPIS) funds Infrastructure Protection, Cybersecurity, and Communications activities, which seek to understand and manage risk from natural disasters, terrorist attacks, or other disasters to the Nation's physical and cyber infrastructure. Infrastructure Protection (IP) programs accomplish the IPIS mission by assisting security partners to identify and mitigate vulnerabilities; increase preparedness for facilities, systems, and surrounding communities; and assess the impact of risk mitigation efforts.

Infrastructure Protection
The Office of Infrastructure Protection (IP) conducts and facilitates vulnerability and consequence assessments to help critical infrastructure owners and operators and State, local, tribal, and territorial partners understand and address risks. IP provides information on emerging threats and hazards so that appropriate actions can be taken. The office also offers tools and training to partners to help them manage the risks to their assets, systems, and networks.

President's Request: The President's FY19 budget request includes \$206 million, an increase of \$19 million from the FY 17 enacted.

Committee's View: **Support**. The Committee recognizes that the Chemical Facility Anti-Terrorism Standards (CFATS) program improved its transparency and collaboration, especially with regard to the retiering initiative. The program enhances efforts by the Infrastructure Security Compliance Division (ISCD) to identify CFATS outliers and is addressing concerns and recommendations raised by the GAO.

Office of Cyber and Infrastructure Analysis (OCIA)
OCIA's mission is to support efforts to protect the Nation's critical infrastructure through an integrated analytical approach evaluating the potential consequences of disruption from physical or cyber threats and incidents. The results of this analysis will inform decisions to strengthen infrastructure security and resilience, as well as response and recovery efforts, during natural, man-made, or cyber incidents.

President's Request: The President requests \$44.6 million for FY19, an increase of \$2.8 million over the FY17 enacted.

Committee's View: **Conditionally Support.** While it is important to look at the cyber and physical risk holistically, there is concern that OCIA's work is not properly prioritized and is lacking strategic guidance. The Committee also has concerns about the level of support OCIA has contributed to the overall cybersecurity mission of the Department.

Cyber Security and Communications
The Office of Cybersecurity and Communications (CS&C) is responsible for enhancing the security, resilience, and reliability of the Nation's cyber and communications infrastructure. In addition, the National Cybersecurity and Communications Integration Center (NCCIC) serves as a 24/7 cyber monitoring, incident response, and management center and as a national point of cyber and communications incident integration. CS&C is also responsible for the rollout and operations of the Continuous Diagnostics and Mitigation (CDM) program which is a dynamic approach to fortifying the cybersecurity of government networks and systems.

President's Request: The President's FY19 request $713 million for CS&C. This includes an increase of $37 million to the cybersecurity program to expand the research and development lifecycle currently in use by CS&C in the advancement of next generation cybersecurity tools. The FY19 budget also requests a decrease of $6 million to the Cybersecurity Advisor (CSA) program within the Stakeholder Engagement and Cyber Infrastructure Resilience (SECIR) Office. An increase of $60.4 million for FY19 is also included to align funding with the Life Cycle Cost Estimate of CDM to fully fund the operations and maintenance of the program's Dashboard and Phase 3.

Committee's View: **Support.** The Committee supports the FY19 budget request, the additional funding for cyber analytics and personnel is in line with the Committee's continual support of the role of the NCCIC as the lead civilian interface to the private sector to protect our Nation's vital information systems and networks from cyber incidents. The Committee supports the budgetary alignment of the CDM program as ensuring the optimal rollout and execution of CDM is a top priority for the Committee in the 115th Congress. Additionally, the Committee supports the increase for cyber R&D funding within CS&C so as to avoid duplicative processes within the Department.

Of note, the Committee has some concern over the proposed cut of $6 million to the CSA program within Stakeholder Engagement and Cyber Infrastructure Resilience office in CS&C. While the justification makes it clear that NPPD has considered how to mitigate the effect of a decrease in the operations of the CSA program, the functions served by the CSAs are aligned with the DHS mission of enabling the private sector to best defend itself against cyber threats. The Committee is interested in better understanding how a proposed decrease and elimination of various CSA functions, a gap which will be filled by existing resources allocations, namely federal contractors will continue to meet the goals of the program.

Office of Emergency Communications
Congress established the Office of Emergency Communications in response to communications challenges exposed by the September 11th terrorist attacks and Hurricane Katrina. The Office of Emergency Communications works with federal, state, local, tribal, and territorial stakeholders to enhance communications operability and interoperability.

President's Request: The FY19 budget requests $158.2 million to secure the Nation's interoperable emergency communications capabilities that enable first responders and government officials to continue to communicate in the event in natural disasters, acts of terrorism, and other man-made disasters. This amount is $31.8 million less than the FY17 enacted level and $4.6 million less than the FY18 request. The reduction corresponds to the completion of a phase of the Next Generation Networks Priority service program.

Committee's View: **Support**. The Committee supports the work of the Office of Emergency Communications and believes that it must have the appropriate resources, structure, and support to ensure effective communications for emergency responders and government officials to keep America safe, secure, and resilient.

FEDERAL PROTECTIVE SERVICE

The Federal Protective Service (FPS) secures and protects the buildings, grounds, and property owned or occupied by the Federal Government, as well as any people on those properties. FPS protects more than 9,500 General Services Administration (GSA)-owned, -leased, or –operated facilities, serving more than 1.1 million occupants and receiving 1.4 million visitors per year. FPS also conducts Facility Security Assessments (FSA) and recommends appropriate countermeasures, ensures stakeholder threat awareness training, and oversees a large contract Protective Security Officer workforce. FPS is a full-cost recovery operation, which means that all expenses incurred must be funded by offsetting collections.

President's Request: FPS is a full-cost recovery operation, which means that all expenses incurred must be funded by offsetting collections. For FY19, the President's budget request includes $1.53 billion for FPS which is an increase of $80 million from the FY17 enacted budget. This increase includes $35 million as offsetting collection authority through Countermeasures for Protective Security Officers and Technical Countermeasures and an increase of $15.6 million for offsetting collection authority through Protective Security Officer.

Committee's View: **Support.** The Committee supports the Department's future plans for FPS.

OFFICE OF BIOMETRIC AND IDENTITY MANAGEMENT

The Office of Biometric Identity Management (OBIM) operates the Department's repository of fingerprint-based biometrics and provides biometric matching, storing and sharing services across the Department and U.S. Government. The Committee strongly believes that if the Department wishes to move OBIM to another location, the office of the Chief Information Officer is best suited to leverage OBIM's technical mission to support the entire Department and the U.S. Government's biometric needs, and the mission would not be best served under the jurisdiction of an individual component. The House passed the Committee's *Cybersecurity and Infrastructure Security Agency Act of 2017* (H.R. 3359) in December, which would codify this transfer.

President's Request: $253 million in budget authority.

Committee's View: **Support.** The Committee supports the Department's request and believes that the budget for OBIM should fully fund the Homeland Advanced Recognition Technology (HART) program implementation as quickly as possible to enable the matching, storage, and sharing of multi-modal biometrics. The statutory mandate to complete a biometric entry/exit system, in many respects, hinges on the ability to quickly match multiple forms of biometrics.

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)
The Federal Emergency Management Agency (FEMA) assists state, local, territorial, and tribal governments, emergency response providers, the private sector, individuals, and communities in preparing for, responding to, recovering from, and mitigating all-hazards.

President's Request: The FY19 request includes $11.2 billion in net discretionary funding for FY19, a $501 million increase over the FY18 request and $396 million below the FY17 enacted level. Of that funding, the President's FY19 request includes $1.036 billion for Operations and Support, an increase of $21.5 million from the FY18 request and a decrease of $12 million from the FY17 enacted level.

Committee's View: **Support.** The Committee supports FEMA's mission and believes that FEMA must have the resources, structure, and support to accomplish this mission.

FEDERAL ASSISTANCE

President's Request: The budget requests $2.122 billion for Federal Assistance, which enables FEMA to provide Federal, State, local, tribal, and territorial jurisdictions with grants, training, exercises, and other support to assist, prevent, protect against, mitigate, respond to, and recover from terrorism and natural disasters. Within that amount, $448.8 million would be for the Urban Area Security Initiative (UASI), the same request as FY18, and a decrease of $156.2 million (-26%) from the FY2017 enacted level. In addition, $349.3 million is requested in FY19 for the State Homeland Security Grant Program (SHSGP), the same request as FY18, and a decrease of $117.7 million (-25%) from the FY 2017 enacted level. Further, the FY19 budget requests $36.3 million for both the Port Security Grant Program and the Transit Security Grant Program (TSGP), which is a decrease of $63.7 million (-64%) from the FY 2017 enacted level, and an additional $10 million less than the FY18 budget request. As in the FY18 request, the budget once again proposes a 25% non-federal cost share for SHSGP, UASI, and TSGP. Also included in the President's FY19 budget request is an additional $522 million to support a new, competitive, all-hazards preparedness grant program. The budget request did not include details, beyond the funding level, for this proposed program.

Committee's View: **Oppose.** The Committee supports appropriate funding for homeland security grants provided for in FEMA's 'Federal Assistance' account. Since 9/11, these grants have helped communities and the nation to build capabilities and strengthen preparedness across the country.

The Committee is disappointed in the drastic cuts proposed for state and local first responders, especially after concerns about proposed grant cuts were expressed in the Committee's FY18 budget hearing with then-Secretary Kelly last year. In addition, the cuts to transit are particularly concerning considering the recent attack at New York City's main bus terminal in December 2017. Instead of allocating money for a new, all-hazards preparedness grant program, that funding should be used to fully and appropriately support the current Federal grant programs, as the Committee did in H.R. 2825, the Department of Homeland Security Authorization Act.

The Committee continues to monitor FEMA's ability to establish meaningful performance measures and metrics for the homeland security grant programs. In these difficult fiscal times, we must ensure that these grants are monitored appropriately and are providing a return on our investment. The Committee will continue to monitor these efforts to ensure the efficient and effective use of homeland security grants.

UNITED STATES CITIZENSHIP AND IMMIGRATION SERVICES (USCIS)
USCIS works to adjudicate and grant immigration and citizenship benefits, provide accurate and useful information to its customers, and promote an awareness and understanding of citizenship in support of immigrant integration.

President's Request: $4.7 billion in budget authority, an increase of $540.2 million above FY17 enacted. This equates to 6 percent of the entire Department of Homeland Security budget.

Committee's View: **Support.** Increased funding to improve reliability and resiliency of the E-verify system is necessary to expand use consistent with the Administration's immigration proposal. Funding for USCIS acquisition programs should be contingent on whether it has an Acquisition Program Baseline and Life Cycle Cost Estimate; whether or not it has experienced significant cost overruns, schedule delays, or operational effectiveness problems; and whether the Acquisition Decision Memorandum for each program shows that Components have followed Department Acquisition Management Directives.

FEDERAL LAW ENFORCEMENT TRAINING CENTER (FLETC)
FLETC serves as an interagency law enforcement training organization for federal, state, local, rural, tribal, territorial, and international law enforcement personnel and partner organizations. The organization provides facilities, equipment, and support services in order to conduct training for federal law enforcement personnel, discounted training opportunities for local law enforcement, and works in cooperation with Department of State in managing overseas training of equivalent law enforcement personnel.

President's Request: The FY19 budget requests $382.1 million in funding for FLETC.

Committee's View: **Support.** Committee recognizes the need for the Department to properly train law enforcement officers and we support funding for FLETC's vital mission. Committee legislation, the *Federal Law Enforcement Training Centers Reform and Improvement Act of 2015* was signed into law on December 16, 2016 (PL 114-285). This law provides additional guidance and authorities to FLETC. The Committee supports the requests for increases in funding for officer training ($23.8 million) and FLETC facility construction ($85.6 million) to meet the hiring and training requirements in support of the President's Executive Orders for border security and immigration enforcement.

SCIENCE AND TECHNOLOGY DIRECTORATE

The Science and Technology Directorate (S&T) is the primary research and development arm of DHS and manages science and technology research, from development through transition, for the Department's operational components and first responders to protect the homeland.

President's Request: The FY19 budget requests $583.3 million for S&T, a 25% reduction from FY17 enacted levels. The FY19 budget proposes a $140 million reduction to S&T's overall research and development portfolio compared to FY17 enacted levels.

Committee's View: **Support.** The Committee believes in the intent of S&T, but has severe concerns about whether the Department is getting the proper return on investment from S&T. The proposed reduction to S&T in the FY 19 budget request might help S&T reprioritize its mission, projects, and programs. The Committee is currently conducting a full review of S&T to see if it is truly supporting the Department, its offices and components, and first responders in meeting their missions.

Transferring Cybersecurity/Information Analysis funding to the National Protection and Programs Directorate

President's Request: The President's FY19 budget proposes the transfer of S&T's Cybersecurity/Information Analysis portfolio to the National Protection and Programs Directorate.

Committee's View: **Support.** The Committee supports the President's FY19 budget request to transfer S&T's Cybersecurity/Information Analysis portfolio to the National Protection and Programs Directorate. The Committee believe this transfer will allow the Department to conduct more relevant cybersecurity research and development, while eliminating the opportunities for potential redundancies and duplication.

Laboratory Facilities

President's Request: The FY19 budget requests $110.5 million for Laboratory Facilities, a reduction of $23.4 million from FY17 enacted levels. Additionally, the FY19 budget request restores funding for the National Biodefense Analysis and Countermeasures Center (NBACC).

Committee's View: **Conditionally Oppose.** The Committee is concerned the FY19 budget request for S&T's Laboratory Facilities once again proposes the closure of two laboratories. The Committee is pleased to see that in the funding for NBACC was restored in the FY19 budget request. NBACC conducts work to support intelligence assessments, preparedness and response planning, and bioforensics. NBACC was one of the three laboratories that were proposed to be eliminated in the President's FY18 budget request. Unfortunately, funding for the other two laboratories – the Chemical Security Analysis Center (CSAC) and the National Urban Security Technology Laboratory (NUSTL) – was not restored in the FY19 budget request. The Committee is disappointed that once again the Administration is choosing to eliminate critical resources that are designed to help identify and assess chemical threats and to support our first responders, especially in the current threat environment.

University Programs

President's Request: The FY19 budget requests $21.7 million for Universities Programs, a 46% reduction from FY17 enacted levels. The FY19 budget proposes to reduce the number of Centers of Excellence to five.

Committee's View: **Oppose.** The Committee opposes these reductions as many of these projects have been considered successful. The relatively small investment in academic research has paid large dividends for both DHS and the taxpayers.

COUNTERING WEAPONS OF MASS DESTRUCTION OFFICE

The mission of the Countering Weapons of Mass Destruction (CWMD) Office is to counter attempts by terrorists or other threat actors to carry out an attack against the United States or its interests using a weapon of mass destruction.

President's Request: The FY19 request provides $429.2 million for the new CWMD Office, consistent with prior operations of the Office of Health Affairs and Domestic Nuclear Detection Office.

Committee's View: **Conditionally support.** Last year, Acting Secretary Elaine Duke used her section 872 reorganization authority to consolidate the Office of Health Affairs, the Domestic Nuclear Detection Office, the chemical, biological, radiological, and nuclear (CBRN) threat awareness and risk assessment activities of the Science and Technology Directorate, the CBRN functions of the Office of Policy, and the Office of Operations Coordination into the new CWMD Office. This reorganization took effect on December 5, 2017.

While the Committee expressed concern about the use of 872 authority for this purpose, the Committee supports the idea of consolidating the Department's headquarters chemical, biological, radiological, and nuclear capabilities into a centralized office, and has previously approved legislation authorizing a similar reorganization. The consolidation of the offices within DHS headquarters with responsibility for CBRN will ensure better coordination both within the Department and interagency and has the potential to provide efficiencies that may lead to lower costs, higher output, and improved quality. The Committee conditionally supports the budget request as further authorizing legislation is necessary to fully integrate the offices as proposed by the Department. Such further consolidation should not be completed absent this authorizing legislation. The Committee is working with the Administration on this issue and will introduce legislation in the coming months.

The Committee is supportive of the Securing the Cities (STC) Program, which provides training, equipment, and other resources to state and local first responders in high-risk urban areas to prevent a terrorist group from carrying out an attack using a radiological or nuclear device. The STC program began in 2006 as a pilot program in the New York City region. Since 2007, the NYC region has purchased 13,800 radiation detectors and trained 19,400 personnel. The pilot program has been so successful it was expanded to the Los Angeles/ Long Beach region in fiscal year 2012, the National Capitol Region in fiscal year 2014 and to the Cities of Houston and

Chicago in 2016. Once the STC program is fully implemented it will protect nearly 100 million people across the country.

The President's budget proposes to expand the STC program and change its name to the Securing the Cities and Pathways Program to maximize "detection opportunities from the initial entry to assembly point to the intended target are to protect regions within the United States." The Committee looks forward to working with the Administration on this effort, while ensuring that the major metropolitan areas that remain the most likely targets of an attack using radiological or nuclear materials receive appropriate support under this program.

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ADDITIONAL VIEWS
OFFICE OF DEMOCRATIC MEMBERS OF
THE COMMITTEE ON HOMELAND SECURITY
ON THE FY 2019 BUDGET
FOR THE DEPARTMENT OF HOMELAND SECURITY

Committee Democrats believe that the President's FY 2019 budget request demonstrates a fundamental misunderstanding of national security needs and the current threat environment, with the President choosing to prioritize misguided campaign promises over national security. Instead of investing in activities proven to address threats to our transportation infrastructure, improve the capabilities of our first responders, and counter ongoing Russian election meddling efforts, the President requested $1.6 billion in FY 2019 to erect a wall along portions of the southern border. At the same time, following a year of record disasters like Hurricanes Harvey and Maria, the President's budget would gut programs critical to making our communities more resilient, like the Pre-Disaster Mitigation Grant program. The FY 2019 budget reflects a troubling detachment from reality. It will be incumbent on Congress to allocate funding more responsibly.

We would be remiss if we did not share our frustration that the FY 2019 budget is based on President Trump's FY 2018 budget proposal - which was essentially dead on arrival last year after attracting criticism from both sides of the aisle. Nearly six months into the fiscal year, Congress has failed to enact a full year spending package. Continuing Resolutions put the Federal government on autopilot, and limit agencies' ability to nimbly respond to evolving threats. We urge the governing party to govern and pass full-year appropriations for FY 2019.

Customs and Border Protection (CBP)

Border Security

President Trump's FY 2019 budget request for the Customs and Border Protection (CBP) includes $16.69 billion in budget authority, which represents an increase of $2.25 billion over FY 2017 enacted levels.

The President's FY 2019 budget request includes $1.6 billion to build 65 new miles of border wall system in South Texas. These new miles are in addition to the 60 new miles (28 miles of levee wall and 32 miles of border wall system) requested in FY 2018 for the Rio Grande Valley sector.

Meanwhile, $47.3 million requested in FY 2019 for surveillance technology is $485.74 million less than the funding enacted in FY 2017, partly due to assumed one-time costs in the FY 2018 budget request. Additionally, $83.2 million is requested for aircraft and other aviation assets for air surveillance operations, which includes the acquisition of two Multi-Role Enforcement Aircraft (MEAs).

Together, these requests – significant funding for the border wall and drastic reductions in border technology - demonstrate the Administration's limited understanding of the diverse and complex nature of border security and outsized interest constructing new miles of the President's long-promised border wall system.

CBP Staffing

The budget also includes $211 million for 750 new Border Patrol Agents (BPAs) and $72.3 million for Border Patrol relocation and retention incentives to address Border Patrol's attrition rate. The package fails to provide funding to address the significant shortage of CBP Officers (CBPOs) at our nation's ports of entry. The personnel funding requests included in the FY 2019 budget continue to illustrate the Administration's failure to appreciate that CBP's documented and long-standing personnel gaps extend well beyond the Border Patrol and are felt every day at our nation's land, air, and sea ports of entry.

Inspection Systems

The FY 2019 budget includes $44.24 million to recapitalize CBP's non-intrusive inspection systems at ports of entry, which is a $26.91 million decrease from the FY 2017 enacted level. The budget request describes the current phase of the acquisition cycle as the reason for the reduction in funding. Nonetheless, this is a significant contrast to the FY 2018 budget request, which included $109 million for Non-Intrusive Inspection (NII) systems in anticipation that "stronger enforcement between the ports may lead to increased contraband flowing through official border crossings." Committee Democrats understand that most hard narcotics and contraband moves through border crossings, and accordingly have reservations about the proposal to dramatically reduce funding for NII in FY 2019.

Additional Funding Sources

The President's request also seeks to maintain up to $1 billion in fee surcharges over a 10-year period for the biometric entry/exit program to be used toward investments in technology to support plans to have the biometric exit infrastructure and the back-end system in operation by the end of FY 2019. Like last year, the budget request proposes to eliminate Brand USA and redirect the surcharge revenue to offset the costs of maintaining 1,193 CBP existing full-time equivalents (FTEs). Although Committee Democrats support additional funding to address CBP's staffing shortages, we would suggest achieving that goal through the appropriations process.

Committee Democrats agree with the Majority's assessments related to CBP's preclearance activities, the Immigration Advisory Program, and the Office of Air and Marine Recapitalization. Moreover, we share the Majority's view that the Department should fully comply with section 1092 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114-328),and provide Congress with comprehensive data related to border security operations and investments.

Immigration and Customs Enforcement (ICE)

The FY 2019 budget request includes $4.8 billion for enforcement and removal operations by ICE, which is $1.2 billion above the FY 2017 enacted level. The majority of the increased funding would go toward detention beds and hiring 2,000 new Enforcement and Removal Officers, with the budget assuming an average adult population of 44,500 detainees at a cost of $123.86 per bed and the family average daily population of 2,500 detainees at a cost of $318.79 per bed. Per the addendum to the budget, the Administration requests $249 million for an additional 5,000 adult detainee beds. Given that the number of border apprehensions and attempts to cross the border illegally are at historic lows, there is little justification for funding 52,000 detention beds unless, as many suspect, the Trump Administration anticipates that the President's so-called deportation force would be carrying out a major ramp up of enforcement in the interior of the U.S. Committee Democrats strongly oppose funding to support this proposal.

Similarly, Committee Democrats have serious concerns regarding funding for the 287(g) program.

In general, Committee Democrats are concerned that the President's approach to immigration enforcement is rooted in a divisive ideology that could, in the long run, jeopardize national security.

Transportation Security Administration (TSA)

Passenger Security Fees

Similar to the Administration's FY 2018 request, the FY 2019 budget proposes increasing passenger fees from the December 2013-enacted rate of $5.60 per one-way trip to $6.60. Since 2014, Committee Democrats have raised concerns that over $1 billion dollars in TSA passenger security fees have been diverted away from aviation security to the U.S. Treasury. We cannot support a proposal to increase passenger security fees if they will continue to be diverted away from aviation security.

Securing Transportation Facilities

Committee Democrats are disturbed that FY 2019 budget proposal would eliminate funding for TSA's Visible Intermodal Prevention and Response (VIPR) teams. VIPR Teams are one of the strongest assets that TSA deploys to bolster transportation security operations at the State and local level. VIPR teams act as a deterrent and are the principal mechanisms for TSA to help secure surface and mass transportation. It is illogical to eviscerate the VIPR program when the threats to surface transportation systems have increased significantly, as evidenced by the attempted bombing in New York City's subway in December 2017. Accordingly, we oppose this proposed cut.

Moreover, Committee Democrats are troubled that the FY 2019 budget proposes forcing local law enforcement to take on more responsibility for securing our airports. As in President Trump's FY 2018 budget proposal, the FY 2019 budget would eliminate the Law Enforcement Officer (LEO) Reimbursement Program, which helps roughly 300 airports meet a TSA requirement to have a law enforcement presence at screening checkpoints and be able to respond to emergencies. Additionally, the budget would eliminate TSA support for exit lane screening, requiring local law enforcement to step up. Terminating the LEO Reimbursement Program and eliminating exit lane screening would shift millions of dollars in cost to local jurisdictions and airports, who are often ill-prepared to absorb this new financial burden. Accordingly, we oppose these proposed cuts.

Computed Tomography

We share the view of the Majority that the FY 2019 budget request fails to seek sufficient funds for deployment of CT tomography screening equipment. The FY 2019 budget provides $73.9 million for the procurement and deployment of computed tomography (CT) technology, which holds the promise of harnessing 3D imaging to significantly improve screening operations at airport security checkpoints. The funding would provide for roughly 145 CT machines, which is only half of what TSA Administrator David Pekoske called for in his deployment plan, which was developed in response to high profile thwarted attack attempts, most notably in Australia.

U.S. Coast Guard

We share the views of the Majority related to the FY 2019 budget proposal for the U.S. Coast Guard.

State and Local Programs (as administered by FEMA)

Committee Democrats support robust funding for State and local grant programs that have helped first responders develop important preparedness and response capabilities since September 11, 2001. Additionally, Committee Democrats support funding programs that will make our communities more resilient as natural disasters grow more severe and more frequent as a result of climate change. Accordingly, we are disturbed that the President's FY 2019 budget request would gut proven homeland security grant programs and slash the Pre-Disaster Mitigation Grant Program by $61 million.

We echo the Majority's opposition to cuts to the Federal Emergency Management Agency's (FEMA) Federal Assistance programs. The FY 2019 budget proposes significant reductions to FEMA's grant programs, just as the President did in his FY 2018 proposal. Specifically, the President's proposal would decrease State Homeland Security Grants from $467 million in FY 2017 to $349 million FY 2019; Urban Areas Security Initiative (UASI) from $605 million in FY 2017 to $448.8 in FY 2019; Public Transportation Security Assistance and Railroad Security Assistance (TSGP) from $100 million in FY 2017 to $36 million in FY 2019; and Emergency Management Performance Grants from $350 million in FY 2017 to $279.3 million in FY 2019. Additionally, the budget proposes a new 25 percent cost match for UASI, TSGP, and SHSGP.

In light of the evolving threats posed by terrorists and increasingly destructive natural disasters, Committee Democrats sees no justification for the Administration's continued pursuit of cuts to these vital programs. FEMA grants are a critical resource to State and local organizations as they work to harden their communities against a diverse range of threats. Without these grant resources, many towns and cities across the country would struggle to pull resources together to prevent and respond to threats.

Proving once again that support for State and local governments is an afterthought for the Trump Administration, it cobbled together a $522 million, all-hazards "Competitive Preparedness Grant Program," described in fewer than 30 words in its budget submission, and slipped it into its Budget in Brief after the budget deal last month. There are no details on what entities would be eligible to apply, how funds would be awarded, or what activities they would support. As such, Committee Democrats cannot assess the Administration's proposal for the "Competitive Preparedness Grant Program."

National Protection and Programs Directorate

The President's FY 2019 budget requests $3.35 billion for NPPD for FY 2019, up from $3.27 billion in FY 2017. Of that, about $990 million would support its cybersecurity activities. This includes $713 million for the Office of Cybersecurity and Communications, $237.6 million for the Continuous Diagnostics and Mitigation program to provide cybersecurity tools, integration services, and dashboards to participating Federal agencies, and a transfer of $46 million from the Science and Technology Directorate for research and development activities.

The budget provides about $274.5 million for Infrastructure Protection, including $11.8 million to establish a comprehensive Soft Target Security program, which is intended to reduce risks to soft targets by improving technology integration and information sharing among stakeholders. Additionally, the budget proposes a $5.3 million increase funding for the Chemical Facilities Anti-Terrorism Standards (CFATS) program to support the additional program requirements for the approximately 1,000 new facilities NPPD expects to regulate under its new re-tiering process.

Committee Democrats support the Administration's request to increase funding for cybersecurity and infrastructure protection activities at NPPD. That said, Committee Democrats are concerned that the FY 2019 budget proposal does not appear to request additional resources for NPPD to carry out its responsibilities related to the designation of election infrastructure as a critical infrastructure subsector. Election security is a national security issue, and this Administration has not done enough to address the warnings of the Intelligence

Community regarding ongoing threats to election infrastructure. DHS must assess what it needs to carry out its election security responsibilities and make a request to Congress.

Secret Service

The President's FY 2019 budget request seeks a $97 million increase over the FY 2017 amounts for the U.S. Secret Service's Protective Operation program. This program protects the President and Vice President and their families, former Presidents and their spouses, and other designated individuals. It also secures the White House Complex, Vice President's Residence, and other designated places.

The budget provides for $4 million for training at the National Computer Forensics Institute (NCFI). Notably, the FY 2018 budget proposal would have eliminated the full $12 million that supports the NCFI. The NCFI is a federally-funded training center dedicated to instructing State and local law enforcement officers, prosecutors, and judges in digital/cybercrime investigations.

Similar to the FY 2017 and the FY 2018 budget requests, the FY 2019 budget request does not ask for funding for the White House Mock-up at the Rowley Training Center. The proposal to build a White House Mock-up was initially proposed in 2015 in the wake of multiple security-related incidents on the White House grounds. Committee Democrats expected to see a request included, as the Secret Service indicated last year that it would be in the FY 2019 budget, and are concerned that the Administration has not requested funds for this activity.

Science and Technology Directorate

The President's FY 2019 budget proposes cutting the Science and Technology (S&T) Directorate by $198.5 million, requesting just $583.29 million. This budget proposal would severely hamper S&T's ability to equip DHS and the first responder community with the cutting edge technology to prevent, interdict, and respond to threats to national security.

As security threats are rapidly evolving, the President proposes to cut security research and development by nearly $140 million (from $430 million in FY 2017 to $290 million in FY 2019). Additionally, the President's budget would cut University Programs by $19 million (from $40.5 million in FY 2017 to $21.7 million in FY 2019) and reduce the number of Centers of Excellence from seven to five (the Center for Awareness and Localization of Explosives-Related Threats and the Coastal Resilience Center (CRC)). While the elimination of both centers is senseless, shuttering the CRC is particularly troubling given the critical support it provided to the USCG during the active 2017 hurricane season. Accordingly, Committee Democrats oppose the President's proposed reductions to the Science and Technology Directorate.

Office of Inspector General (OIG)

President Trump's FY 2019 request reduces Office of Inspector General (OIG) funding by $37 million, from $175 million in FY 2017 to $138 million in FY 2019, and reduces FTEs by 5. The DHS OIG is responsible for identifying and addressing waste, fraud, abuse, and mismanagement of taxpayer funds. The OIG accomplishes this goal by conducting independent audits, inspections, and investigations and thereafter making recommendations on how the Department can better operate in an effective and efficient manner. The budget proposes the DHS see an increase of more than 8% in funding, yet it reduces funding for the watchdog responsible for ensuring the Department is spending that money in a responsible and effective way. This reduction runs the risk of hamstringing the OIG at a time when DHS' mission is continuously being expanded. Accordingly, Committee Democrats oppose the proposed cut.

St. Elizabeths

The President's FY 2019 budget request proposes increasing funding for the DHS Headquarters Consolidation Project at St. Elizabeths by $158 million, up from $13 million in FY 2017 to $171 million in FY 2019, with continued operational support costs of $55 million. Funding will support the sustainment of efforts at St. Elizabeths for facility maintenance, project management, space allocation, and additional security, as well as the build out of FEMA's headquarters. Its current leases are expected to expire in 2021. Historically, Congress has not provided adequate funding to keep the St. Elizabeths project on schedule, resulting in cost over-runs and delays. Consistent funding for development at St. Elizabeths is necessary to reduce future unintended costs and delays, and Committee Democrats are supportive of those efforts.

Conclusion

Committee Democrats remain committed to ensuring that the Department of Homeland Security has the resources it needs to keep our communities safe and that funding is allocated to the activities with proven value. We are concerned that the Administration has become consumed by the risks – real or imagined - associated with the southern border to the detriment of addressing other critical homeland security priorities. We urge the Committee on the Budget to make its budget allocations in a more responsible manner.

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Ranking Member
House Committee on Homeland Security

JAMES R. LANGEVIN
Member
House Committee on Homeland Security

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Gregg Harper

COMMITTEE ON HOUSE ADMINISTRATION

115TH CONGRESS

COMMITTEE RESOLUTION 115-6

February 27, 2018

Resolution to Approve Committee Views and Estimates

Resolved, pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), the Committee adopts the following views and estimates for Fiscal Year 2019:

COMMITTEE ON HOUSE ADMINISTRATION

VIEWS AND ESTIMATES FOR FISCAL YEAR 2019

Federal Election Commission

The Federal Election Commission (FEC) is an independent, bipartisan commission which facilitates transparency in the federal election process through public disclosure of campaign finance data, and encourages compliance with the Federal Election Campaign Act by providing information and policy guidance. The FEC administers and interprets the Federal Election Campaign Act, the Presidential Election Campaign Fund, and the Presidential Primary Matching Payment Account Act. The FEC also enforces these Acts through audits, investigations, and civil litigation.

The current Fiscal Year 2018 appropriated amount for the FEC continues to be $79,119,000, the same as fiscal year 2017. This and any increased funding requires appropriate allocation. The Committee will continue to conduct vigorous oversight to identify and realize future potential savings.

Presidential Election Campaign Fund

One means to reduce the budget needs of the FEC is to eliminate the Presidential Election Campaign Fund (PECF). The PECF provides taxpayer financing for presidential campaigns. The PECF receives its funds through a voluntary election on tax returns to have $3 of the taxpayer's taxes directed to the fund. For primary elections the PECF provides payments to candidates to match private contributions. Candidates who elect to participate are subject to state-by-state spending limits. For general elections the PECF provides a single grant payment to participating candidates, in return for which the candidate agrees not to spend funds from any other source.

The FEC incurs costs to administer the PECF and to audit recipients of PECF funds. These costs could be eliminated if the PECF were eliminated.

The fund is underutilized by candidates. After pledging to participate in the PECF, in 2008 then-Senator Obama declined public financing during the general election. In the 2012 campaign, only three candidates received PECF funds – Buddy Roemer (Americans Elect and the Reform Party), Gary Johnson (Libertarian) and Jill Stein (Green). The total they received was $1,356,108. Both major party candidates rejected PECF financing in both the primary and general elections. No major party candidate utilized PECF financing in the 2016 campaign.

If candidates did chose to accept PECF funds and the accompanying restrictions, the fund would be undercapitalized because the American public chooses to no longer contribute. Public support for the PECF has declined precipitously since its introduction. The percentage of taxpayers participating dropped from 28.7% in 1980 to approximately 5.4% in 2015, even though participating does not affect tax liability.

In the 112th Congress, the House twice voted to eliminate the Presidential Election Campaign Fund by passing both H.R. 359 and H.R. 3463. In the 113th Congress, the Committee reported H.R. 95, which would eliminate the PECF and would reduce direct spending by approximately $130 million by 2023. In the 114th Congress, the Committee has reported H.R. 412, which would transfer $88,202,400 to the 10-Year Pediatric Research Initiative to fight childhood diseases and the remaining amount, roughly $170 million, to the United States Treasury to pay down the national debt. In the 115th Congress, H.R. 133 has been introduced, which would transfer $63,002,400 to the 10-Year Pediatric Research Initiative to fight childhood diseases and the remaining amount, roughly $250 million, to the United States Treasury to pay down the national debt.

Given the scarce resources available and our duty to the American tax payer to set priorities for federal spending, eliminating a needless and underutilized fund while paying down our national debt and directing more money to pediatric illness research is an appropriate and crucial step toward fiscal responsibility.

The Committee does not support continued operation of the PECF and strongly supports the elimination of the PECF.

Election Assistance Commission

The Election Assistance Commission (EAC) is an independent, bipartisan commission which develops guidance to meet Help America Vote Act (HAVA) requirements, adopts voluntary voting system guidelines, and serves as a national clearinghouse of information on election administration. The EAC also establishes voluntary voting system guidelines, certifies voting systems, accredits test laboratories, and audits the use of funds provided the states through election reform grants.

The FY 2017 appropriated amount for the EAC totals $9,600,000. Further reductions from the President's budget are warranted. No new funding for election reform grants has been provided to the EAC for the last eight years. Less than $5 million in grant funding currently exists.

In the 112^{th} Congress, a majority of the House twice voted to eliminate the EAC, with 235 Members voting in favor of both H.R. 672 and H.R. 3463. A majority of the Committee's members voted in favor of eliminating the EAC on three occasions. In the 113^{th} Congress, the Committee reported H.R. 1994, which would eliminate the EAC. The CBO estimate for H.R. 1994 stated that eliminating the EAC would save taxpayers $42 million over five years. In the 114^{th} Congress, the Committee reported H.R. 195, which would eliminate the EAC. The CBO estimate for H.R. 195 stated that eliminating the EAC would save taxpayers $40 million over five years. In that report, the Committee stated that the EAC's "operations and budget show that its mission cannot justify maintaining a federal agency." In the 115^{th} Congress, H.R. 634, which would eliminate the EAC, was introduced and reported out of the Committee on House Administration on February 7, 2017.

The Committee does not support continued funding for EAC activities and strongly supports its elimination.

Cybersecurity

The Committee supports appropriate funding for policies that improve the cybersecurity platform within each of the Legislative branch entities and agencies. The Committee supports the Legislative Branch Cybersecurity Working Group for its effort on sharing and implementing cybersecurity best practices. The Committee supports the Working Group's next phase – including identifying and meeting minimum standards to ensure the Legislative Branch is adequately protected and providing resources to allow all Legislative Branch agencies and entities to mature their cybersecurity programs.

The Committee also supports appropriate funding for the House of Representatives' cybersecurity platform including but not limited to the assistance and support of the Executive Branch. Included in the 2017 National Defense Authorization Act was language authorizing the Speaker of the House of Representatives in consultation with the Minority Leader to request the assistance of the Executive Branch in the event additional resources were needed to respond to a cyber breach. The Committee supports efforts to develop and approve Memoranda of Understanding between the House and the appropriate Executive Branch agencies and the resources necessary to provide adequate assistance.

Sexual Harassment

Every case of sexual harassment is one too many. At the end of the first session of the 115^{th} Congress, the Committee passed *H.Res. 630*, a resolution directing the House of Representatives to develop and implement a mandatory training and education program focused on anti-harassment and anti-discrimination. The Committee requested the assistance of the Chief Administrative Officer (CAO) to implement the mandatory training and education program and supports their current efforts to procure an outside vendor. The Committee anticipates the CAO will incur an annual cost of $3.75 million beginning in Fiscal Year 2018 to carry out this mandatory training program.

Separately, the House passed *H.Res. 724*, which among other things directed the CAO to establish an Office of Employee Advocacy under its supervision. The Committee believes there is a lack of parity between the representation provided to employing offices (i.e. Members and senior staff) and lower level employees. The establishment of an Office of Employee Advocacy will assist employees in understanding their rights and responsibilities under the Congressional Accountability Act and the House Committee on Ethics. The Committee anticipates the Chief Administrative Officer will need $600,000 to establish the Office.

District Office Security Program

The Committee supports funding for the United States Capitol Police and the House Sergeant-at-Arms' to provide comprehensive security services to Members of Congress, including in their district offices. As the events of June 2017 and the corresponding increase in threats against Members of Congress demonstrate, the security of Members, their staff, their constituents, and the public at-large remains paramount. In FY 2018, the Committee on Appropriations, Legislative Branch recommended an additional $7 million to the USCP and an additional $5 million to the House SAA. The Committee continues to support any additional funding for these programs.

Minority Views of Representatives Brady, Lofgren and Raskin on the Views and Estimates of the Committee on House Administration for the President's Fiscal Year 2019 Budget

Majority Views

We agree with several components of the Majority's proposal, and contest others. We support the bipartisan work to secure our information systems, improve our workplace environment and secure our district offices for Members, staff, and thousands of constituents who avail themselves of access to their Member of Congress.

Federal Election Commission

The Federal Election Commission (FEC) is charged with administering and enforcing campaign finance laws. However, in recent years, complete partisan gridlock continues to plague the FEC. As a result, there has been a marked decrease in enforcement action and audits, two key elements to maintaining the integrity of our campaign finance system.

We need a functioning FEC to enforce our existing laws, and to promulgate rules that respond to the changing media environment. During the 2016 election, Russia spread propaganda and misinformation on social media platforms without ever disclosing that they were behind the effort. The FEC must takes its duties seriously and promulgate rules that provide for similar disclosure regimes for political advertising on the internet as is required for radio and television advertisements. In addition, the FEC must enforce the existing laws and keep foreign actors out of our democracy.

To make matters worse, the Commission is in danger of losing its four-vote quorum. To take any significant action (e.g., rulemaking, opening an investigation, levying fines, offering guidance), there must be a minimum of four Commissioners. With two recent departures, the agency is down to four Commissioners. If any of them were to leave, the Commission would essentially be unable to function.

The Democrats of House Administration believe the campaign finance system needs to be reformed to promote transparency and integrity, and that the FEC needs to be fully staffed and supported so that it can fulfill its mission of enforcing and administering campaign finance laws.

Proposed termination of the Presidential Election Campaign Fund

The Presidential Election Campaign Fund (PECF) is in dire need of modernization. The campaign finance landscape changes rapidly and dramatically and commensurate changes are needed to the PECF. In the absence of public financing, presidential candidates will have no choice but to raise significant sums from private sources, many of whom represent special interests.

The PECF was created in the wake of the Watergate scandal to restore the American public's faith in its elections and public institutions. We find ourselves in a similar situation today. We do not support wholesale repeal of the PECF. It is a system in need of reform. We also believe the choice between funding pediatric research and having a pragmatic campaign finance regime is a false choice. We should have both. The PECF needs to be reformed, not replaced.

Election Assistance Commission

The Election Assistance Commission (EAC) enjoys broad, bipartisan support from the constituencies it was designed to serve: voters and election officials. The EAC eases the considerable burden of election administration and it does this well.

The EAC is the only federal agency charged with making American elections more accessible, accurate, secure, and transparent. The EAC administers grants, develops guidance to assist states, and serves as a national clearinghouse of information on election administration. In addition, the EAC tests and certifies voting machines, provides guidance on managing election technology, and works with state and local officials to assist them in preparing for elections. In 2016, the EAC launched a video series that featured election officials, advocacy groups, and academics and offered guidance on how to leverage high- and low-tech tools in administering elections. The Commission also provides easy-to-follow cybersecurity guidance on protecting voter registration data and securing election night reporting systems.

The EAC is in the unique position of being a federal agency with relationships with state and local election officials, and with an expertise in election administration. The Commission has been vital to helping states work with DHS to understand and take advantage of the "critical infrastructure" designation. Since the designation was made in January 2017, the EAC has worked diligently to build trust between state election officials and Department of Homeland Security (DHS) by facilitating, mediating, and participating in meetings between election officials and DHS. The EAC also produced educational materials to help states understand

and utilize the critical infrastructure designation and worked with DHS to help the agency understand election administration.

Instead of attempting to terminate the agency, the President should nominate and the Senate should confirm a fourth commissioner, and Congress should work to provide the EAC with more resources so it can provide more robust assistance to states on election security and other important election administration issues.

Election Security

It is now well known that Russia targeted the voting systems of 21 states in 2016, and although there is no evidence of the attacks altering the vote count, Russian hackers were able to breach at least one state's voter registration databases. If these attacks had been successful, hackers would have been able to alter or delete voter registration records, causing a great deal of chaos on Election Day and undermining public confidence in election results.

In addition, our voting machines can easily be hacked. In July, at DefCon, one of the world's largest, longest-running, and best-known hacker conferences, 25 pieces of election equipment were successfully breached by participants with little prior knowledge and limited tools. In over 40 states, elections are carried out using voting machines that were purchased more than a decade ago. These machines are now either obsolete or at the end of their useful life. Some of these machines rely on operating systems like Windows XP or Windows 2000 which pose a particularly significant security risk as those operating systems either do not receive regular security patches, or have stopped receiving support altogether. These issues are exacerbated by the fact that nearly twenty percent of Americans cast their ballot on voting machines that do not have any kind of paper backup. In other words, if these paperless machines were hacked, it would be nearly impossible to tell.

The unprecedented attack by Russia exposed these serious national security vulnerabilities to our election infrastructure. Congress must take immediate action to secure our voting systems, because we know that Russian hackers are likely to continue to try and penetrate election systems in 2018 and beyond. Days before the 2017 elections, Bob Kolasky, the acting Deputy Undersecretary of the National Protection and Programs Directorate at the Department of Homeland Security said, "We saw in 2016 that Russia had an intent to be involved in our elections and some capability to be active or to attempt to be active in scanning election systems. We have not seen any evidence that intent or capability has changed." Just a few weeks ago, when appearing before the Senate Intelligence Committee, the Trump administration's most senior intelligence officials warned that Russia will be back in 2018.

State and local election officials are acutely aware of the threats they are facing, but they lack the necessary funds to safeguard their voting infrastructure. In most states, legislatures are not increasing their election security budgets, and in some cases, Governors are actively undermining election security efforts. Moreover, state and local officials have expressed a desire for Congress to step in. The majority of state election officials surveyed by *Politico* in late 2017 indicated that they needed additional funding from the federal government to replace obsolete election systems and technology and to bolster election security. Indeed, the National Association of Secretaries of State (NASS) issued a statement in December 2017 calling on Congress to provide the $396 million to help states secure their election systems. The group wrote:

> As election officials around the country work to update and maintain aging election systems, [NASS] calls on Congress to assist them in this effort by providing states with the remaining funding under [the Help America Vote Act]...[This] will not solve all of the challenges election officials face, but it will help states enhance the efficiency and security of elections, including through the purchase of new voting systems, the implementation of additional cybersecurity tools, and the hiring of additional IT professionals.

This issue is simply too important to sit back and watch state governments and the federal government pass responsibility back and forth. With the 2018 midterm elections rapidly approaching, it is imperative that the House of Representatives act to secure our elections and protect the integrity of the ballot box by appropriating, at the very least, the $396 million requested by state election officials.

Strengthening Employee Protections

H. Res 724 requires each employing authority covered by the Congressional Accountability Act of 1995 (CAA) to adopt an anti-discrimination, anti-harassment policy. In addition, the resolution creates the Office of Employee Advocacy (OEA) to provide legal assistance to covered employees of the House of Representative in the event of an action arising pursuant to the CAA.

Reforms to the procedure and policies aimed at preventing discrimination and harassment at the House of Representatives and throughout the legislative branch were long overdue. Those seeking justice for CAA violations found the system overwhelming, intimidating, and ineffective. As such, the House set out to overhaul the process and implement reforms that work for victims, not against. We support funding the OEA to ensure the office is fully resourced, as well as the necessary funding for anti-harassment and anti-discrimination training that is in person and interactive for the House of Representatives and all other employees of the legislative branch.

National Library Service for the Blind and Physically Handicapped

The National Library Services for the Blind and Physically Handicapped (NLS) was established by an Act of Congress in 1931 and offers free services to U.S. residents and citizens living abroad who are seeing impaired or who have physical disabilities that prevent them from reading regular print. There are a wide variety of materials available through NLS including books, magazines and music materials. All resources, including the playback equipment needed to read the materials, are available for free for eligible residents. NLS has a verbal agreement with a network of 100 national libraries that distribute NLS materials, allowing easier access for customers. There are 450,000 patrons of NLS and 60% of this population is over the age of 60.

NLS constantly looks for ways to increase access to their resources, which can be difficult due to the specific challenges they face. One issue has been the distribution of hard copy braille titles. These titles can be bulky, an average braille book is between two to eight volumes per title, and distributing and transporting these titles can be cumbersome for the Library and the user. Finding innovative ways to get resources to their patrons in an easier format has always been a priority for NLS. In November 2015, Ranking Member Brady introduced H.R. 4093 *Library of Congress Administrative Reform Act of 2015*. The first section of the bill authorized NLS to provide playback equipment in multiple formats. While Congress never passed H.R. 4093, in 2016 the Senate introduced, and Congress passed, S.320 authorizing NLS to provide the playback equipment. As a result, in 2017, NLS partnered with Perkins Library in Massachusetts for a pilot program that would provide e-readers to registered borrowers. Historically, the high price of braille e-readers made large scale use of them impractical, but when a more affordable e-reader, the Orbit Reader 20, came to the market, Perkins Library started distributing them to their patrons. NLS has partnered with Perkins in hopes of learning about the effectiveness of distributing e-readers to their customers and growing the e-reader program. The e-reader pilot was originally meant to test 200 e-readers nationwide, but currently only 40 e-readers are part of the pilot.

Resources like the e-readers are vital to the patrons of NLS and the Committee is concerned that NLS does not have enough funding to run these programs. While NLS works to enhance the resources available for their customers, there was no increase in the NLS budget for programmatic changes in the 2019 budget request. The current request is $51.192 million, $1 million less than the 2018 budget request, and is only to support mandatory pay related and price level increases. The Committee wants to ensure that NLS has the funding they need to serve their patrons and develop their resources and with no increase in their programmatic budget, it does not seem that this will be possible.

Robert A. Brady Ranking Democratic Member	Zoe Lofgren Member	Jamie Raskin Member

ONE HUNDRED FIFTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON THE JUDICIARY

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March 9, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Cannon House Office Building
Washington, D.C. 20515

The Honorable John Yarmuth
Ranking Member
Committee on the Budget
134 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Womack and Ranking Member Yarmuth,

Ensuring that the rulemaking process is transparent, open, and accountable, encouraging innovation, promoting fiscal responsibility, creating a fair immigration system, and ensuring that Americans have the freedom to prosper are just a few of the goals the House Judiciary Committee supports. This legislative session, the House Judiciary Committee will continue to advance legislation that will further these goals.

The Committee also recognizes that the Federal government currently faces significant budgetary constraints. Many departments and agencies that fall within the Committee's jurisdiction serve a unique function in that they are among the few departments and agencies that perform functions specifically called for in the U.S. Constitution. Their related expenditures should be assessed in light of the core functions and responsibilities of the Federal government as defined by the U.S. Constitution.

The Committee opposes any intrusion on its jurisdiction in the form of rescissions or cancellations of the mandatory budget authority it oversees. Similarly, with regard to any spending reduction proposals within the Committee's jurisdiction that ultimately may be contained in the President's budget, the Committee preemptively notes that it opposes any reductions that would put national security, public safety, or constitutionally protected rights at risk.

In accordance with the Budget Committee's instructions for the submission of Views and Estimates for the Fiscal Year 2019 Budget Resolution, the Judiciary Committee anticipates that the following significant planned legislative initiatives, among others, may have impacts on spending and revenues. The Committee intends to mitigate any negative impacts with offsetting measures.

Sincerely,

Bob Goodlatte
Chairman

Jerrold Nadler
Ranking Member

COMMITTEE ON THE JUDICIARY
VIEWS AND ESTIMATES FOR FISCAL YEAR 2019

Violence Against Women Act

The House Judiciary Committee intends to reauthorize the Violence Against Women Act (VAWA) in 2018 and is supportive of the President's FY 2019 budget request that maintains comparable funding for programs administered by the Office on Violence Against Women. However, we are concerned that the President's Budget, like the previous President's budgets, although appearing to maintain funding levels for certain of these programs, would do so partially by diverting resources from Victims of Crime Act funds.

Criminal Justice Reform

This year, the Chairman intends to bring legislation addressing the American criminal justice system, including sentencing and prison reform, before the Committee, which will consider varying views of Members on these issues. Our nation's criminal justice system is in dire need of reform. Recognizing this, many states have adopted legislation to both address injustices and to stop wasting taxpayers' money on policies that are ineffective. It is time for Congress to do the same for the federal criminal justice system.

To enact meaningful criminal justice reform that addresses problems and generates substantial cost savings for our citizens, we must adopt legislation that reduces waste and recidivism and ensures fairness. To do this, we must reform our prisons and reevaluate the fairness of some punishments, among other reform initiatives. With respect to prison reform, we should encourage prisoners to participate in programming, based on the needs of each prisoner, which will assist their successful re-entry into their communities and reduce their risk of recidivism. Accordingly, we will need to considerably expand the availability and types of programming available in federal prisons.

Criminal justice reform, if pursued in an appropriately aggressive and comprehensive way, would save money, and cost savings could be re-invested in other initiatives that we know would reduce crime and make our communities safer.

Prison Reform

In the 115th Congress, Rep. Doug Collins introduced H.R. 3356, the *Prison Reform and Redemption Act*, a bill that would require the Department of Justice (DOJ) to develop a system to assess prisoner risks and periodically classify individual prisoner's risk of recidivism. Based on those classifications, prisoners would be provided the opportunity to participate in programs to reduce recidivism, through which they would earn credit that would qualify them to 1) reduce their sentences, and 2) serve the latter parts of their sentences in alternative incarceration arrangements, such as halfway houses or monitored home confinement. This bill is substantively similar to H.R. 759, which was reported favorably by the Committee in the 114th Congress.

In 2016, the Congressional Budget Office (CBO) estimated that H.R. 759 would cost approximately $210 million over five years and would not affect direct spending or revenues.

Sentencing Reform

With respect to the *Sentencing Reform Act (SRA),* approved by the House Judiciary Committee in the 114th Congress, CBO estimated that enacting the SRA would result in the release of thousands of prisoners from federal prisons earlier than would occur under current law. CBO expects that upon release many of those individuals would receive federal benefits from a variety of federal programs including Medicare, Medicaid, and health insurance marketplaces; Social Security; Supplemental Security Income; and the Supplemental Nutrition Assistance Program. As a result, CBO and staff of the Joint Committee on Taxation estimated that enacting the legislation would increase direct spending by $259 million and reduce revenues by $8 million over the 2017-2026 period.

ADDITIONAL VIEWS OF RANKING MEMBER JERROLD NADLER COMMITTEE ON THE JUDICIARY FY2019 VIEWS AND ESTIMATES

Preventing Gun Violence

The Committee must address the horrific and all-too-frequent mass shootings in this country, and also do more to prevent the daily toll of gun violence from occurring in our communities. Congress must take immediate action to strengthen our gun laws, and we must fund the Justice Department's relevant agencies and programs at levels commensurate with the seriousness of this crisis. Therefore, Congress must increase funding for the investigations and inspections functions of the Bureau of Alcohol, Tobacco, and Firearms, in addition to any further resources that may be allocated to the processing of applications for regulated firearms and related devices. Congress must also increase funding assistance that the Justice Department provides states in connection with records that are included in the National Instant Criminal Background Check System (NICS). Unfortunately, the President's FY2019 Budget Request proposes a reduction in funding from nearly $25 million for FY2018 to $10 million for FY2019 for the NICS Act Record Improvement Program, which was established in the aftermath of the Virginia Tech shooting in 2007, to help fill dangerous gaps in the system. The Committee must ensure that this Program and the National Criminal History Record Improvement Program are not short-changed.

Criminal Justice Reform

Our Nation's criminal justice system is in dire need of reform. Recognizing this, many states have adopted legislation to both address injustices and to stop wasting taxpayers' money on policies that are also ineffective. It is time for Congress to do the same for the federal criminal justice system.

Prisoners should be encouraged to participate in programming, based on the needs of each prisoner, which will assist their successful re-entry into their communities and reduce their risk of recidivism. This should be done without restricting participation in programming or limiting the ability of those who have earned credits to redeem them, which would counterproductively limit assistance to those who would benefit the most from it.

However, to enact meaningful criminal justice reform that addresses injustices for individuals and generates substantial cost savings for our citizens, we must significantly reduce mass incarceration. To do this, we must eliminate or, at least at the outset substantially limit, the imposition of mandatory minimum sentences, with retroactive application for those already imprisoned.

Criminal justice reform, if pursued in an appropriately aggressive and comprehensive way, would save money, and cost savings could be re-invested in other initiatives that we know would reduce crime and make our communities safer.

Election Security

The House Judiciary Committee supports efforts to secure America's election infrastructure and to ensure the fundamental right to vote is protected. Unfortunately, election security does not appear to be a priority in the President's FY 2019 budget for the Department of Justice.

Although the proposed budget calls for a modest $1.6 million increase for cyber investigations in the Department's National Security Division, the Committee should commit to providing for greater review and enforcement of election laws and for proactive measures to counter election tampering and influence operations by foreign governments. Similarly, although the President's budget calls for a general $148 million increase for the Federal Bureau of Investigation, no funds are dedicated to the Bureau's Foreign Influence Task Force, ongoing joint operations with the Department of Homeland Security to secure election infrastructure, or counterintelligence operations related to election interference. The budget should prioritize these essential election security measures.

I am aware of the Department's new "Cyber-Digital Task Force." Its mandate is both broad and ambiguous, and it certainly will not address vulnerabilities in our critical infrastructure on a timely basis. Instead, I believe the budget should direct the Department to counter ongoing attacks on our election system—without delay—and provide the Department with the resources it requires to carry out this critical mission.

When adopting its oversight plan for the 115th Congress, this Committee agreed to conduct oversight of the Justice Department's activities to protect the integrity of federal elections. Multiple bills within our jurisdiction may impact spending and revenue on important cyber and election security initiatives. The Committee should consider these measures. The budget should reflect the consensus view of the Intelligence Community that the Nation's election infrastructure has been, and continues to be, under attack by a known foreign adversary. As proposed, it does not provide for the Justice Department to engage in proactive measures that safeguard future elections from foreign and domestic attacks.

Immigration Reform

Our Nation's immigration system has long been in need of reform. Congress' failure to reform the system has damaged various sectors of the U.S. economy, slowed economic growth, led to family separation, and increased wasteful spending. The Committee must enact comprehensive immigration reform to modernize our immigration system. A modern immigration system would better meet the needs of U.S. businesses, better protect U.S. workers, and better meet the needs of American families. And, it would further fuel economic growth, while both increasing revenues and generating cost savings.

Congress should immediately turn to meaningful immigration reform legislation, including passage of the Dream Act, which would regularize the status of millions of would-be Americans who wish to use their talents for the benefit of the only country they call home. Until such legislation is enacted, immigration enforcement resources should be prioritized for individuals who pose threats to national security and public safety, not families and otherwise law-abiding members of our communities.

Legal Services Corporation

I note that the President's FY2019 Budget Request seeks to eliminate the Legal Services Corporation (LSC), a program that for more than 40 years, with bipartisan support, has provided critical civil legal representation for hundreds of thousands of Americans in every county in every state and the territories. LSC assists the most vulnerable in our Nation, including women struggling to escape domestic abuse, senior citizens victimized by fraudsters, families facing foreclosure or eviction, and veterans trying to obtain promised benefits. More than 58 million Americans, or nearly 19% of the U.S. population, currently qualify for legal assistance from LSC-funded programs. Based on a new study in 2017, 86% of the civil legal problems of low-income Americans received inadequate or no legal help in the past year. Accordingly, I support funding LSC at its request level.

Jerrold Nadler
Ranking Member
Committee on the Judiciary

ROB BISHOP OF UTAH
CHAIRMAN

CODY STEWART
STAFF DIRECTOR

RAÚL GRIJALVA OF ARIZONA
RANKING MEMBER

DAVID WATKINS
DEMOCRATIC STAFF DIRECTOR

U.S. House of Representatives

Committee on Natural Resources

Washington, DC 20515

March 5, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
U.S. House of Representatives
B-234 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to the provisions of clause 4(f) of Rule X of the Rules of the House of Representatives for the 115th Congress and Section 301(d) of the Congressional Budget Act of 1974 as amended, I am transmitting the Views and Estimates of the Committee on Natural Resources for Fiscal Year 2019. The minority has elected to submit their Views separately.

Sincerely,

Rob Bishop
Chairman

Enclosure

http://naturalresources.house.gov

Committee on Natural Resources

Views and Estimates for Fiscal Year 2019

Rob Bishop, Chairman

Overview

America's public lands and natural resources can, if managed wisely, support vibrant economic growth and provide solutions that foster fiscal health and responsibility. Mismanagement of these assets, as we have encountered over the last decade or more, results in economic harm upon local communities and fiscal duress for federal, State and local governments.

Our Fiscal Year 2019 Budget must reflect policies and investments that provide greater public access to these lands and greater management and stewardship of our abundant natural resources. The Trump administration's 2019 budget request for the Department of the Interior, along with many recent and ongoing administrative and congressional actions, prioritize these objectives.

Department of the Interior

Bureau of Indian Affairs (BIA)

Trust Management. Over the last several decades, some of the costliest recurring items in the annual budget request of the Department of the Interior are related to the management, probate, and consolidation of highly fractionated Indian lands. These functions are authorized by various Indian land leasing statutes, the Indian Land Consolidation Act, and the American Indian Probate Reform Act.

Consolidating highly fractionated Indian land remains a huge challenge. The Claims Resolution Act of 2010 provided a mandatory appropriation of $1.9 billion to the Department for the Indian Land Consolidation Program for Tribal Nations (Land Buy-Back Program).

As of May 2017, the Land Buy-Back Program concluded transactions worth $1.3 billion, consolidation the equivalent of 2.1 million acres of fractionated individual Indian land in tribal ownership. The Department has until 2022 to spend the remaining $585 million in funds for consolidating lands before any unspent funds are returned to the U.S. Treasury, though it is likely the funds will be completely spent before 2022. According to the Department, the amount of funds remaining in the program falls far short of that which is necessary to remedy the problem of highly fractionated Indian lands. The shortfall is due in part to the previous administration's land consolidation plan, which spent down the program monies on purchases of dubious merit relative to the limited funds available. The Trump administration has, commendably, reordered the priority of land acquisitions to maximize the benefits of purchases with the limited funds the previous administration left it.

Certain Members of the Committee have called for expanding funding for the buy-back program. The Committee does not recommend adding new taxpayer funds for the program, for several reasons. First, it does not appear that any of the Members calling for more funds for land buy-back offered any amendments to this effect during the appropriations process. It should also be noted that few if any of these Members had anything to say about the Obama administration's rapid spend-down of the program funds.

Second, the huge cost of the Claims Resolution Act was offset, in part, through a $562 million cut to the Women, Infants, and Children (WIC) program. These cuts were proposed, written, and enacted by the Democratic Majority and President Obama. While the Committee does not have jurisdiction over WIC, it seems unlikely that Congress will call for more cuts to WIC for the land buy-back program.

The Committee recommends the Department study, in close consultation with Indian tribes and authorizing committees in Congress, innovative ideas for consolidating or managing highly fractionated Indian lands for the most possible benefit for tribes and individual Indian land owners. The Department should continue to explore, in consultation with tribes and with Congress, the idea of a revolving fund to continue the program in a manner that reduces Indian land fractionation while protecting taxpayer funds.

Economic Development. Indian Country plays a key role in an all-of-the-above energy approach, and the Committee supports these efforts and those by the Department to facilitate growth. Native lands hold an estimated ten percent of the nation's untapped energy resources and provide over $1 billion to tribes annually. Given growing federal budget deficits, scarce resources should be steered toward energy development on Native lands to spur growth and much-needed revenues.

The Committee is hopeful that the administration will continue its laudable overhaul of the previous administration's regulations that hindered tribes from fully realizing the huge economic potential of their trust assets. For example, the Trump administration's repeal of the hydraulic fracturing rule is important to ensure Indian lands are not treated as publicly-owned property. The Committee is supportive of the Department's continuing efforts to advance self-governance and self-determination.

Tribal Healthcare and Infrastructure. The Committee is very concerned about the current management structure and quality of care provided by the Indian Health Service (HIS). Despite funding increases by Congress since 2009, reports from the U.S. Government Accountability Office (GAO) continue to reveal that standards for the quality of care in federally operated facilities are absent. Additionally, the dangerous situation in the Great Plains Area and the staffing shortage problem throughout the twelve IHS areas continue to exist if not worsen. Increased scrutiny should be given in the increased authorization and appropriation of funds for the IHS.

The Committee is supportive of the President's call to address infrastructure. Indian health facilities are crucial to Indian Country and the Committee will be working to address the construction and maintenance funding backlogs.

Tribal Recognition. The Committee is concerned with a lack of budgetary information relating to the Office of Federal Acknowledgement (OFA). This problem has also occurred under previous administrations. Under rules codified in 25 CFR Part 83 (the "Part 83" process), the OFA extends formal federal recognition as Indian tribes to groups that document they meet certain criteria. Such criteria, like the Part 83 rules in which they are found, were not developed by Congress, notwithstanding what the Supreme Court has said is Congress' "plenary" and "exclusive" power over Indian affairs.

Under the previous administration, the Office of Assistant Secretary for Indian Affairs incited bipartisan controversy over revisions to the Part 83 criteria and procedures. The revisions, most of which are final and in force today, eliminate or weaken key criteria necessary for a group to obtain formal federal recognition. A pretext for the Department's overhaul of Part 83 was that petitions were taking too long for OFA to consider. But any delay in processing petitions could be remedied by budget increases. If the previous or current administration requested any increases in OFA's budget, they do not appear in any useful detail.

The OFA creates a budgetary dilemma. Recognizing new tribes creates pressure on Congress to increase funding for tribal programs to reflect the larger service population. Because OFA has claimed the power to recognize tribes without express authorization from Congress, it has turned the normal appropriations process on its head. To make matters worse, the newly revised Part 83 rules eliminate a requirement for any newly recognized tribe to obtain BIA's sign-off before it increases its base rolls. Detailed information about OFA's budget, responsibilities, and operations should be provided to Congress. In the meantime, the Committee would support funding to maintain or increase OFA's personnel and resources upon the enactment of H.R. 3744 (115th Congress) or similar legislation providing a statutory basis for OFA to review petitions from groups seeking recognition as tribes, with Congress rendering the final decision.

Bureau of Land Management (BLM)

Multiple-Use and Sustained Yield Mandate. Setting budget priorities that promote sound, multiple-use management of BLM lands will significantly contribute to the following goals: increased energy and resource security, sustainable livestock grazing, ample opportunities for outdoor recreational activities, job creation, economic growth, reduced deficit spending, and increased national security.

The BLM under the prior administration often succumbed to outside pressure to convert its traditional multiple-use mandate into one focused solely on preservation, a mission better aligned with the National Park Service. The Committee supports various administrative steps taken by the Trump administration to appropriately return the BLM to the promotion of the multiple-use and sustained yield mandate provided for under the Federal Lands Policy and Management Act.

Restoring local decision making. At the beginning of the 115th Congress, this Committee successfully lead the effort to rescind the prior administration's Planning 2.0 rule, the BLM's burdensome land use planning regulations, which were rife with overreach. In doing so, the Committee helped to ensure that the BLM is not able to use landscape level planning as a means to lock up more land from multiple-use access while inventing more duplicative layers of bureaucracy. More work is needed to hold BLM accountable to ensuring that local input is paramount in the federal lands decision making process.

Land Acquisition. BLM needs to provide balanced management of the 245 million surface acres and 700 million subsurface acres already in its care. With the agency's current fiscal challenges managing its existing surface and mineral estate, BLM must forego further land expansion. Throughout the West, BLM ownership and policies should not be an obstacle to the growth and prosperity of neighboring communities whose viability depends on responsible access to existing federal land. The Committee recommends that BLM create a searchable online database on its website of all lands that have been identified for disposal. The Committee notes that lands identified for disposal do not typically contain the presence of endangered or threatened species, cultural or historic resources, mining claims, mineral leases, rights-of-way, or grazing permits. Further, lands are identified that may have recreation and public purpose use to the local community including public schools, fire stations and other public needs.

Greater Sage Grouse. The Committee appreciates the Department of the Interior's mandate that the BLM reconsider the decisions made in its 2015 Greater Sage Grouse conservation plans, which were developed in contradiction to Congressional, State, and other stakeholder input. The 2015 plans lack data transparency, fail to adequately credit ongoing State and local activities, contradict science, and further conflict with the BLM's multiple-use mandate. Since the issuance of Secretarial Order 3353, the BLM has completed public scoping and is considering policy changes to more accurately reflect the best available science and information, and full consideration of input from State and local land managers.

Litigation, Taxpayer-Funded Attorney Fees. Multiple time-consuming lawsuits and threats of litigation continue to delay and halt energy and mineral production, grazing, and other activities on federal lands that require significant federal resources to manage. In addition, lengthy permitting timelines for nearly any activity on federal lands is in part due to the federal agencies' efforts to try and create a litigation-proof document for project analysis and environmental reviews. This slows down the planning process, creates regulatory uncertainty, and can alter the scope and nature of multiple-use projects to the point where they are no longer practical or economically feasible. Currently, some litigious groups that sue the federal government are perversely benefitting from excessive taxpayer-funded attorney fees, federal grants and contracts. The Trump administration has taken various administrative steps to address this challenge. The Committee will be working to advance additional statutory tools to mitigate excessive litigation.

Federal Grants and Contracts. The Committee, in coordination with the administration, continues to review and examine federal grants, contracts and related processes within its jurisdiction that may be duplicative, and consolidate, streamline or eliminate such grants and contracts to reduce government abuse and waste.

Onshore Orders. Under the previous administration, the BLM finalized updates to Onshore Orders 3, 4, and 5. These finalized regulations impose significant compliance costs on operators, driving production away from federal lands. BLM is reviewing these regulations to determine whether additional revisions are needed. The Committee will seek to work with the BLM to address these finalized rules, and ensure the harmful regulatory consequences of the prior administration are minimized.

Federal Coal Leasing Program and Social Cost of Carbon. On January 15, 2016, then-Secretary Jewell issued a Secretarial Order that initiated a Programmatic Environmental Impact Statement (PEIS) on the Federal Coal Leasing program and announced a moratorium on new coal leases until the PEIS was completed. The new PEIS sought to include impacts on climate change and the "social cost of carbon." The Committee supports Secretary Zinke's March 2017 Secretarial Order 3348 overturning the 2016 moratorium.

The prior administration's White House Council on Environmental Quality's (CEQ) finalized guidance on the "social cost of carbon" in August 2016. This guidance established a proxy for requiring agencies to consider federal actions' effects on global climate change. The guidance appeared to contradict CEQ's own regulations and led to confusion, increased costs and litigation, and longer delays to potentially any economic activity connected with a federal National Environmental Policy Act review. On March 28, 2017, President Trump issued Executive Order 13783 effectively withdrawing the federal "social costs of greenhouse gasses" guidance. Since then, the administration has allowed each agency to determine their own figures consistent with 2003 guidance from the Office of Management and Budget (OMB). As federal courts across the country are split on how these values should be calculated, the Committee encourages the administration to issue new guidance for all agencies, consistent with the 2003 OMG guidance, to ensure uniform implementation across the country.

Federal Helium Program. With the impending closure of the Amarillo helium facility in 2021, the Committee encourages BLM to develop solutions to promote the development and production of helium on federal lands. Such promotion will increase revenues to the federal government and ensure access to this vital resource for the nation's defense and medical fields. To this end, the Committee marked up H.R. 3279, the Helium Extraction Act of 2017, which passed in the House of Representatives on November 1, 2017. This bill amends the Mineral Leasing Act to grant helium extraction the same lease terms as a federal oil and gas lease. CBO estimates that this legislation will generate $9 million over the 2018-2027 period.

Wild Horses and Burros. The rapidly increasing budget for the Wild Horses and Burros program, without any measurable improvement to the status of the animals or the habitat in which they occupy, is of concern to the Committee. We continue to favor a critical re-examination of the program with the goal of maintaining a sustainable population of wild horses and burros compatible with the carrying capacity of the land and existing budget constraints.

Mining Law Administration. Claim Location and Maintenance fees were adjusted according to the Consumer Price Index for the FY-2014 – 2018 assessment years, increasing from $34 to $37 and $140 to $155 per claim. The increase in fees combined with lower metal prices and long permitting timelines for mineral exploration and mine permitting projects has resulted in a loss of mining claims and a reduction in revenue.

Critical and Strategic Minerals. The U.S. has become increasingly dependent on foreign sources of mined materials essential to our national and economic security. In 1986, the United States was dependent on foreign sources for 30 non-fuel mineral materials, six of which were entirely imported to meet the nation's requirements and another 16 of which were imported to meet more than 60 percent of the nation's needs. By 2017, the U.S. import dependence for non-fuel mineral materials more than doubled from 30 to 64 commodities – 21 of which were imported entirely to meet the nation's requirements.

The new administration recognized the nation's need for a steady domestic supply of critical and strategic materials, and issued Executive Order 13817 articulating a federal strategy to ensure a secure and reliable supply of critical minerals on December 20, 2017.

On February 15, 2018, the Committee held a hearing on H.R. 520, the National Strategic and Critical Minerals Production Act, legislation to alleviate this disparity by providing an accelerated permitting timeline for mining projects which produce minerals deemed critical to the nation. CBO has concluded that enacting the bill would not affect revenues.

Onshore Oil and Gas Development. For too long, delays in the federal onshore oil and gas leasing and permitting process have discouraged investment on our federal lands. Operators seeking to develop onshore resources must contend with duplicative environmental reviews, burdensome regulatory requirements and unpredictable approval timelines. The administration has been proactive in addressing these burdens through a series of Secretarial actions. Specifically, the Committee commends the administration's decision to rescind the hydraulic fracturing rule and revise the so-called "venting and flaring rule."

Even so, legislative action is needed to ensure certainty in the federal regulatory process. The Committee has passed H.R. 4239, the SECURE American Energy Act, to eliminate inefficiencies in the regulatory process, promote onshore oil and gas development, spur greater revenues and strengthen energy security. Specifically, this legislation authorizes the Secretary of the Interior to delegate certain permitting functions to States with approved programs for regulating such activities. This legislation also increases the proportion of mineral revenues returned to energy producing States, alleviates excessive federal regulatory requirements, and prevents the imposition of regulations regarding hydraulic fracturing on State and private lands in States where corresponding rules exist. CBO has issued a score of $300 million for Title II of this legislation, which includes all provisions related to onshore oil and gas development.

The Committee plans to further review oil and gas leasing processes and introduce legislation to further streamline those processes. The Committee also encourages the administration to continue taking steps toward returning to the practice of holding quarterly oil and gas lease sales, as required under the Mineral Leasing Act.

Energy Development on Alaska's North Slope. Responsible oil and gas development in the State of Alaska is central to achieving domestic energy security. The recently enacted Tax Cuts and Jobs Act authorized oil and gas exploration and development in the 1002 Area of the Arctic National Wildlife Refuge, spanning 1.57 million acres of the 19-million-acre refuge. Opening up this previously restricted area to energy development will generate significant revenue for the State of Alaska and the federal government.

Additionally, the Department recently conducted an updated resource assessment for Alaska's North Slope region, including the National Petroleum Reserve in Alaska (NPRA), indicating that the region holds significantly more technically recoverable resources than previously known – an estimated 8.7 billion barrels of oil and 25 trillion cubic feet of natural gas. Prioritization of this region and its abundant oil and gas resources is long overdue. The Committee will continue to work with the administration to streamline oil and gas permitting, improve infrastructure and increase land access in the North Slope region. Furthermore, the Committee encourages the administration to open more areas for leasing within the NPRA and hold lease sales in the 1002 area in a timely manner.

Abandoned Hardrock Mine Reclamation. There is currently no centralized federal program for the reclamation of abandoned hardrock mines. A conglomeration of agencies, including the Environmental Protection Agency (EPA), BLM, and U.S. Forest Service, conduct abandoned hardrock mine reclamation, but there remains a very strong need for a centralized program. The Committee is examining several legislative initiatives aimed at establishing a "Good Samaritan" reclamation program. Proposals include a pilot program that would allow interested parties to conduct mine reclamation in exchange for limitation on environmental liabilities.

Bureau of Ocean Energy Management (BOEM)

Expanding Offshore Oil and Gas Production. Recognizing the lack of opportunities for offshore oil and gas development on the outer continental shelf (OCS), the administration announced the development of a new National OCS Oil and Gas Leasing Program. The draft proposed program (DPP), released on January 4th, 2018, proposes 47 offshore lease sales throughout the Alaskan, Pacific, Gulf of Mexico, and Atlantic OCS regions. The current leasing schedule, signed into effect by President Obama, scheduled 11 total lease sales in two OCS regions. The Committee strongly supports a robust lease schedule, and has passed H.R. 4239, the SECURE American Energy Act, to facilitate the development of offshore energy development.

Title I of the SECURE American Energy Act establishes a revenue sharing scheme for oil and gas revenues generated off of the Atlantic states and Alaska, and preserves approved lease sales should a revised plan be implemented. This title applies the Outer Continental Shelf Lands Act (OCSLA) to all U.S. territories and possessions, and increases the limitation on disbursement of OCS revenues to certain Gulf producing States. Furthermore, this title reverses the previous administration's nearly 120 million mineral acre OCS withdrawal and improves the permitting processes applying to offshore seismic surveying. The purpose of this legislation is to strengthen our nation's OCS energy sector by providing certainty and access, and to ensure revenues are equitably distributed to States impacted by development.

Well Control Rule. The Committee has serious concerns about the regulatory uncertainty imposed upon existing leased acreage in the Gulf, including the overly prescriptive provisions of the prior administration's well control rule. The administration plans to modify certain aspects of the rule after evaluating the efficacy of the current rule and considering industry input.

Arctic Oil and Gas Leasing. The prior administration's Arctic rule imposed new restrictions on any federal offshore energy exploration and production in Alaska program areas. The Committee supports efforts to reverse the damage done to the offshore industry so that it can thrive in the Arctic and elsewhere. The Arctic is of strategic importance, as Russian and Norwegian companies actively and safely produce in this region. Section 107 of the SECURE American Energy Act nullifies the Arctic Rule.

Production Safety Systems Rule. The administration recently announced amendments to the Production Safety Systems Rule to update the requirements to accurately reflect modern production technology. The Committee supports this effort to improve the application of this rule, and to provide clarity to offshore producers while maintaining a high level of safety.

Seismic Permitting Process. Uncertainty in the offshore seismic survey permitting process continues to be a significant obstacle for companies awaiting geological and geophysical permits from the BEOM and the National Oceanic and Atmospheric Administration. The Committee is encouraged by this administration's resumed review of six Atlantic seismic survey permits that were unilaterally denied under the previous administration. To continue to improve the seismic survey permitting process, Section 110 of the SECURE American Energy Act reduces permitting delays and relocates the Marine Mammal Protection Act (MMPA) permitting functions from the Department of Commerce to the Department of the Interior.

Offshore Withdrawals. As a departing blow to the offshore industry, the former administration sought to remove millions of acres in the Arctic and Atlantic Oceans from any future energy production. President Trump's Executive Order 13795 reversed these withdrawals, and Section 104 of the SECURE American Energy Act seeks to codify the reversal. If passed, the reversal is projected to increase federal receipts by $130 million over ten fiscal years.

Offshore Wind Energy Development. The Committee supports the development of a stronger and more streamlined COS Wind Leasing structure within BOEM. Section 109 of the SECURE American Energy Act promotes offshore wind development by requiring BOEM to hold lease sales off of California and Hawaii, in consultation with the Department of Defense, and to conduct wind feasibility studies off territories.

U.S. Bureau of Reclamation (Reclamation)

The Bureau of Reclamation's dams, reservoirs and conveyance systems provide water, emissions-free hydropower and numerous other benefits to rural and urban communities in the western United States. Irrigation water provided by the agency also provides a vital resource for national and international food supplies.

Even though the vast majority of Reclamation's facilities were built over fifty years ago, these federal water and power supply projects continue to be vital components of our nation's infrastructure. The Committee will examine a variety of approaches to address the rehabilitation needs of our existing water infrastructure, while also looking at ways to incentivize the development of new water and power supplies. The Committee will also focus on how the executive branch plans to implement water storage, water recycling, desalination, California water operations and other provisions enacted in P.L. 114-322, also known as the WIIN Act. It also plans to examine the agency's grants over the last decade to ascertain their effectiveness.

U.S. Fish and Wildlife Service (FWS)

Deferred Maintenance. With a total deferred maintenance backlog of nearly $1.4 billion, the Committee views the administration's $41.0 million request to address the backlog as a step in the right direction. While the Committee applauds FWS for reducing its overall maintenance backlog by nearly $2 billion since 2010, it remains clear that the Service must continue to innovate and restructure management priorities to ensure future solubility. The Committee is eager to explore the FWS component to the Public Lands Infrastructure Fund in the administration's budget request.

Land Acquisition. Given the nearly $1.4 billion deferred maintenance backlog at FWS, the Committee is hesitant to support new acquisition within the National Wildlife Refuge Program.

National Park Service (NPS)

The passage of the National Park Service Centennial Act (P.L. 114-289) ushered in a new era of public-private partnerships and funding for national parks. Two funds established by the Act, the National Park Centennial Challenge Fund and the Second Century Endowment for the National Park Service, have begun to receive funds for projects to improve visitor access, address deferred maintenance and protect resources. These programs leverage private donations to complete important projects and ease the burden on the American taxpayer. In addition to the deposit of new revenue generated by the law's increase in the price of the America The Beautiful senior pass, the Committee supports providing additional discretionary appropriations for the Centennial Challenge Fund.

Deferred Maintenance Backlog. NPS estimates its deferred maintenance backlog sits at $11.6 billion. Despite agency efforts to address the backlog through improved asset management, it grew substantially over the past decade. The Committee supports discussing new and innovative ideas for tackling the backlog including: increasing concession opportunities and authorizing longer-term contracts, utilizing historic leasing, expanding use of volunteers and corps groups, introducing tolling in certain areas and expanding collection of entrance fees. The Committee is pleased with the administration's proposal to use revenue from energy development on federal lands for critical deferred maintenance projects, and will be working to advance related reforms through Congress.

Land Acquisition. With our national debt exceeding $20 trillion, NPS facing a deferred maintenance backlog of $11.6 billion, and increasing catastrophic wildfires costing billions of dollars on existing federally-owned lands, the Committee does not support acquiring additional lands until basic responsibilities are met on the 80 million acres managed by NPS. These funds would be better directed toward maintenance projects addressing aging and neglected infrastructure.

Office of Insular Affairs (OIA)

OIA's budget falls under two categories – Current Discretionary/Mandatory spending and Permanent Mandatory appropriations. The majority of OIA's budget is made up of Permanent Mandatory commitments to U.S.-affiliated insular areas. These territories include Guam, American Samoa, the U.S. Virgin Islands, the Commonwealth of the Northern Marianas Islands, and also the Freely Associated States which include the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

The U.S.-Palau Compact Agreement is an example of a Permanent Mandatory commitment. The Compact expired in 2009, with a new agreement signed between the two nations in September 2010 which calls for a total aid package of $250 million through 2024. Annual funding extensions for the Compact have been included in subsequent appropriation bills. Beginning in FY18, the President's budget proposed that discretionary Department of Defense appropriations be transferred to the Department of the Interior to support enactment of the 2010 Compact Review Agreement with Palau. The Committee supports the transfer of discretionary Defense appropriations to fund the remainder of the Compact.

The small portion of OIA's budget that is Discretionary (FY18 CR: $67.1 million compared to $520.8 million for Permanent Mandatory) includes OIA grant programs and technical assistance for the territories as well as the cost of American Samoa Government Operations. The Committee supports the competitive measures for certain grant programs to support and develop territorial governments that use prudent financial management practices. The Committee also supports ongoing efforts by OIA to institute measures to effectively monitor its grants and other funding programs to ensure federal funds are being used efficiently and effectively in the insular areas.

Office of Surface Mining, Reclamation, and Enforcement (OSM)

Training of Mining Engineers. The Committee encourages OSM to provide more support to mining schools through its National Technology Transfer Team Applied Science Program. To move towards this goal, H.R. 2053, the Mining Schools Enhancement Act, was passed out of Committee by unanimous consent on June 27, 2017. This bill directs OSM to distribute at least 70% of their research grants toward mining engineering university programs. CBO estimates that H.R. 2053 would cost $41 million over the 2018-2022 period.

Abandoned Mine Funds Priorities. Thousands of inactive coal mines, abandoned before the era of modern regulation, can be found across the U.S. These sites have no living responsible party and pose safety and health risks or environmental hazards to nearby communities. In an effort to address the nearly $10.5 billion in remaining Abandoned Mine Lands (AML) cleanup sites, the Committee recently passed H.R. 2937, the Community Reclamation Partnerships Act, to expedite mine reclamation in coal communities. The legislation enables States to partner with non-governmental entities to cleanup abandoned mines and treat acid mine drainage. CBO scored this legislation at less than $500,000 per year. Additionally, H.R. 1731, RECLAIM Act, which passed Committee in June 2017, accelerates the release of $1 billion from the remaining, unappropriated balance in the AML Fund to be used for abandoned mine land reclamation in certified and uncertified states. The Committee is also conducting a broader review of the AML program in advance of the expiration of the reclamation fee in 2021.

Self-Bonding. The Department of the Interior is currently reviewing a policy advisory issued during the previous administration regarding self-bonding. This policy advisory discourages States from accepting self-bonds for any coal mining permits in the near future. The Committee is concerned that limiting the use of self-bonds may impact operators' ability to continue mining coal. As a result, revenues paid by mining companies to the federal government and Abandoned Mine Lands fund will be reduced, potentially reducing funding for abandoned mine land reclamation. The Committee will work with the administration as they continue to review the program.

Payments In Lieu of Taxes (PILT)

The previous administration emphasized policies to expand the federal estate as opposed to meeting federal obligations and the active management and use of federal lands to benefit local communities and counties nationwide. The Committee strongly believes that the new administration and Congress must work together to reestablish the multiple-use and sustained yield mandate that once provided revenue and economic vitality to communities with public lands. In the meantime, Congress must continue to fully fund the Payments In Lieu of Taxes program.

Department of Commerce

National Oceanic and Atmospheric Administration (NOAA)

The Committee is concerned that NOAA's annual proposals have generally focused too much on satellites, atmospheric, and regulatory programs, while at the same time failing to produce adequate data and science important to the sustainability of commercial and recreational fisheries in each of the nation's coastal regions. The Committee will examine NOAA's funding priorities and work with the agency to ensure adequate resources are directed towards the science and management of the 469 federally-managed fish stocks, as well as other marine mammals and other species.

Adequate Science Necessary for Management Decisions. Fishery surveys and other basic fisheries research, in addition to stock assessments, have been inadequately factored into NOAA's annual budget requests. The result: use of outdated or inadequate data, more regulations, rules, and closures, and ultimately, loss of jobs and severe economic impacts to coastal communities. Better data and stock assessments are necessary for the sustainable management of fishery resources that provide the economic underpinning of many of the nation's coastal communities. The Committee will examine ways for NOAA to prioritize its core functions of producing reliable data that support commercial activity and create a return for the taxpayer. Further the Committee will consider opportunities to streamline interjurisdictional redundancy in species management between the Departments of Commerce and the Interior.

Marine Protected Areas (MPA). Over the past few years, NOAA has greatly increased its MPA footprint through expansions or new designations of Marine National Monuments and Marine Sanctuaries without first securing from Congress adequate resources to manage the additional acreage or providing adequate science to support such expansions or designations. Current law dictates that the Secretary of Commerce comprehensively assess the costs and certify that any new Marine Sanctuary designation would not adversely impact the long-term financial health of the Sanctuary system. The Committee will examine if NOAA's system of MPAs is currently manageable and what resources would be required for any future designations. The Committee will also examine the existing system of MPAs to see if those in state or territorial waters would be best managed by the applicable State or territory.

Department of Agriculture

U.S. Forest Service (USFS)

Wildfires and Forest Health. The health of the National Forest System (NFS) continues to decline. Almost 60,000,000 acres of NFS land are in urgent need of treatment to reduce the risk of catastrophic wildfire, the spread of invasive species, and threats to watershed health. The poor health of the NFS has many adverse effects on rural communities, whether it is the closure of sawmills due to a lack of proper timber management by the NFS, or poor water quality due to runoff caused by catastrophic wildfires.

The USFS, the lead federal lands agency in combatting wildfire, reported that nearly 10.1 million acres of land burned in 2017. The agency spent more than $2.4 billion in wildfire suppression efforts in 2017 forcing USFS to transfer $526 million from other accounts, which in turn delayed much-needed restoration work. The Committee believes that catastrophic wildfires must be treated like any other natural disaster. Expecting USFS to pay for these large mega-fires out of its discretionary budget is unworkable and unrealistic. Worse, funding that should be used to prevent fires is instead used to fight fires. Each year, this problem grows and less and less of USFS' discretionary budget is dedicated towards actively managing our national forests. This must be addressed or rural areas with national forests will continue to decline and be plagued by catastrophic wildfire, floods and economic stagnation.

This Congress, the House passed H.R. 2936, the Resilient Federal Forests Act, which addressed these issues. The bill provided USFS with additional tools to increase the pace of restoration activities necessary to restore the health of the NFS. Additionally, the bill included language that allowed USFS to access the FEMA Disaster Relief Fund to eliminate the funding transfers that are necessary when all appropriated funds for wildfire suppression are exhausted. The legislation passed the House of Representatives on November 1, 2017, with bipartisan support. As the Budget Committee looks at disasters and wildfires, we ask that it work closely with the Committee to find a solution to the fire funding problem. If this problem is not solved in short order, USFS will be unable to manage anything but wildfires and forested communities will continue to decline.

Land Acquisition. Given this backdrop and the lack of active management on forest lands within the agency's existing responsibility, the Committee does not support acquiring additional lands as basic stewardship responsibilities go unmet on the 193 million acres managed by USFS.

Litigation Costs. The Committee is concerned that litigation adversely affects the ability of USFS to properly manage its land. Over the last several Congresses, the Committee heard repeated testimony about how needless litigation and the fear of litigation cause USFS to avoid engaging in necessary stewardship activities. The Committee also supports binding arbitration as an effective means to streamline litigation against USFS and reduce litigation costs within USFS budget. H.R. 2936, the Resilient Federal Forests Act, addresses many of these related issues.

The Committee is concerned that USFS, faced with serious threats to forest health from fires, beetle infestations, and the demise of significant local wood products based employment is not properly addressing the challenges facing rural America. If properly managed, national forests can contribute to our national well-being, while providing economic opportunities that flow to surrounding communities and keep the forests healthy and productive.

Department of Energy

The Power Marketing Administrations

The four Power Marketing Administrations' (PMAs) core missions are to deliver hydropower generated at federal dams to wholesale power customers at the lowest cost consistent with sound business principles. The Committee notes that some ratepayers have expressed concerns over the Western Area Power Administration's perceived lack of transparency regarding the prioritization and accounting of ratepayer funds. Since these agencies are largely ratepayer-financed, the Committee will closely monitor the PMAs activities to ensure that ratepayers will not bear any undue costs over this and coming fiscal years.

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DEMOCRATIC STAFF DIRECTOR

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

March 7, 2018

Dear Chairman Womack and Ranking Member Yarmuth:

Pursuant to House Rules, we are writing to express views and estimates alternative to those submitted by Natural Resources Committee Chairman Bishop. We appreciate the opportunity to comment on the Natural Resources and Environment budget function for Fiscal Year 2019.

Democrats view this year's budget as an opportunity to increase our investments in clean energy, increase funding for popular programs such as the Land and Water Conservation Fund, and set our country on a more financially and environmentally sustainable path. The budget should be an opportunity to improve public health and ensure special places like our parks, refuges, and monuments are preserved for future generations. Unfortunately, the Trump budget and congressional Republicans' related recommendations make deep cuts to popular environmental programs, fail to address climate change – despite clear national security warnings from the president's own top military officials – and include regulatory carveouts and industry-slanted priorities that strongly suggest lobbyist and corporate influence.

The Republican budget vision, in other words, wastes taxpayer money to keep industry supporters happy. Rather than planning ahead or increasing taxpayer revenue from public resources, Secretary Zinke and his deputies have put lobbyists in charge of environmental policy, creating more financial scandals and conflicts of interest than good public policy. The Administration's budget slashes everything but oil, gas and coal funding – including a 14 percent overall funding reduction from the FY 2017 Continuing Resolution level to the Interior Department – and Republicans in Congress have done nothing to counteract these irresponsible cuts. As a consequence, it is difficult to take the Republican's budget plan seriously. Democrats prioritize the clean energy economy Americans demand and pay for it responsibly. The contrast could not be clearer.

Potential Budget Savings

There are numerous opportunities within the Natural Resources Committee's budget jurisdiction to reduce our nation's deficit while promoting job creation, economic growth, and environmental protection. Contrary to the Chairman's suggestion, we can make money without deregulation which only endangers the public's health and safety.

Bureau of Land Management (BLM)

The Majority's vision would take us backwards to a time when drilling or mining was seen as the highest and best possible use of our public lands. Like this Administration, they appear to mistake "multiple uses" for "all uses," implying that energy development should be allowed on every acre of BLM land where it isn't specifically prohibited by Congress. That is a misreading of the Federal

Land Policy and Management Act, which has been clearly and repeatedly interpreted by courts as allowing BLM to use the land-use planning process to close areas to energy development when it would conflict with other, high-priority uses of the land, such as recreation or conservation. The concern expressed by the Majority for "restoring local decision making" would be taken more seriously if they opposed the BLM's recent policy change to stifle local input into oil and gas leasing and permitting decisions. The Administration has made it extremely clear that the only local voices they want to listen to are the ones that support their decisions to ease "burdens" on oil, gas, and coal development on public land. The Majority also supports misguided decisions by this Administration that will make it easier for companies to waste valuable public resources and avoid paying the proper level of royalties to the American taxpayers, such as the proposed repeal of the BLM Methane Waste Prevention Rule. The Majority is promoting Administration policies designed with only one goal in mind: making it cheaper for fossil fuel industries to extract resources from public lands. These policies would result in a reduction of royalties paid by fossil fuel companies to the American people, and they should not be adopted. Instead, the Budget Committee should look for ways to raise additional revenue and protect our fragile natural places, such as:

Reform of the General Mining Law of 1872: This 19th century law allows the purchase of public lands at 1872 prices and the removal of valuable minerals, including gold, silver and uranium, from public lands without any royalty payment to American taxpayers. According to a Congressional Budget Office analysis in 2007, when gold prices were significantly lower, even a 4 percent royalty on existing claims would result in more than $300 million in proceeds to the public over a 10-year period.

Abandoned Hardrock Mine Lands Fee: The release of three million gallons of contaminated wastewater from Colorado's Gold King Mine in August 2015 starkly highlighted the endemic problem of un-reclaimed abandoned hardrock mine lands. According to the Environmental Protection Agency and the Congressional Research Service, there are more than 500,000 abandoned mine sites on public and private lands in the United States, with approximately 100,000 sites on BLM and Forest Service lands alone. Cleanup of these abandoned gold, silver, and other mines is currently paid for by taxpayers rather than the mining industry, and existing funding sources are inadequate to truly address this problem. Instituting a reclamation fee for material displaced during hardrock mining operations, similar to how coal miners fund the Abandoned Mine Land Fund, would raise $1.8 billion over 10 years toward abandoned hardrock mine cleanups. Implementing this fee would lower discretionary spending on mine cleanups for which taxpayers currently foot the entire bill, and provide sorely needed resources to greatly speed the reclamation of these dangerous and environmentally-damaging sites.

Implement Onshore Oil and Gas Inspection Fees: Unlike offshore oil and gas operations, where the industry pays its share for safety and production inspections, the taxpayers pay the full cost for the BLM to inspect onshore oil and gas operations. Establishing inspection fees for onshore oil and gas operations would help provide the resources the BLM needs to ensure that companies are operating safely and responsibly on public lands. The fee is estimated to generate approximately $48 million per year.

In addition, funding for BLM's renewable energy program should be increased in order to build on the tremendous momentum generated by the Obama Administration for permitting solar and wind projects on public lands.

Bureau of Ocean Energy Management (BOEM), Bureau of Safety and Environmental Enforcement (BSEE)

The Majority supports the Administration's concurrent attempts to weaken offshore safety rules while expanding the risk of offshore drilling to our Atlantic and Pacific coasts. Offshore oil production has risen for four consecutive years, and in 2016 stood at over 590 million barrels, close to an all-time record, and 31 percent higher than the 450 million barrels produced in 2008.

These near-record and increasing production levels are occurring even with the additional safety standards that were implemented in the aftermath of the *Deepwater Horizon oil spill*, indicating that the oil and gas industry readily adapts to new critically-needed safety regulations. Despite fears expressed by the Majority about the "regulatory uncertainty" imposed by the Well Control Rule (WCR), the average oil production on the OCS in 2016 was 3 percent higher *after* the WCR went into effect. All indications are that drilling and leasing activity on the OCS track closely with the price of crude oil, not the presence of safety or environmental regulations, as is the case with all oil and gas activity on public and private lands.

Similarly, the Majority attempts to blame the Arctic Drilling Safety Rule for industry's decision to cease exploration activity in the Arctic and relinquish large numbers of leases. However, the industry has made it clear that the problem was the lack of sufficient oil resources and the difficulty of operating in the harsh Arctic environment. The Majority fails to acknowledge that the "damage done to the offshore industry" was largely self-inflicted, as seen by Shell's inability to have crucial safety equipment available on time, and the grounding of the *Kulluk* drill rig.

Office of Surface Mining Reclamation and Enforcement

We continue to support the use of one billion dollars from the Abandoned Mine Land Fund in order to accelerate abandoned coalmine cleanup and help revitalize Appalachian communities that have been hurt in recent years by the increased use of natural gas and Western federal coal for electric generation, a policy that would be enacted by the RECLAIM Act. We disagree with the Majority over the wisdom of allowing coal companies to rely on self-bonding, which puts taxpayers at enhanced risk of having to pay to clean up abandoned mines if companies go bankrupt.

Bureau of Reclamation

Recouping Taxpayer Dollars from Irrigation Districts

According to a recent Government Accountability Office report, irrigation districts owe taxpayers $1.6 billion in construction costs for water projects that have been completed for many decades. We believe there should be a renewed focus on fully recouping this $1.6 billion, which could benefit the Treasury and potentially help fund other water projects, such as backlogged Title XVI projects that assist communities facing drought. The Majority's focus on forgiving much of this outstanding debt is fiscally misguided.

Critically Needed Investments

In order to fully capitalize on all the resources that American taxpayers own, this Congress needs to invest in these critical programs so they can reach their full potential.

Land and Water Conservation Fund

The Majority supports the Administration's proposed elimination of the Land and Water Conservation Fund (LWCF) with dubious claims that land acquisition contributes to deferred maintenance and somehow adds to the national debt.

Expenditures from the LWCF are central to consolidating public land ownership, acquiring habitat for imperiled fish and wildlife, and supporting outdoor recreation opportunities throughout the country. Full funding for LWCF, which allows the Fund to achieve its full potential, creates robust support for the nearly $650 billion outdoor recreation economy and provides a powerful weapon against climate change. The budget should include $900 million for LWCF programs, as intended nearly 50 years ago.

National Park Service

In 2016, we celebrated the 100th anniversary of the National Park Service. This critical milestone was originally viewed as an opportunity to invest in the agency and its programs so that it could be prepared for the next century. Unfortunately, the 114th Congress declined to pass a bill that made any real investments in "America's Best Idea". While the National Park Service Centennial Act (P.L. 114-289) established new tools to enhance park funding, it failed to provide the dedicated stream of funding required to put a significant dent in the nearly $12 billion backlog of deferred maintenance and provide the Park Service with the resources to succeed for another 100 years. We are wary of the Majority's claims of support for the Administration's proposal to steer revenue from expanded drilling to support critical deferred maintenance projects. Congress must prioritize adequate funding for parks and public lands, not hide behind budget gimmicks designed to incentive energy production on public lands.

The American public continues to support expanded conservation and recreation. Responding to a steady demand from Members of both parties, Congress rightly continues to authorize new site studies, new parks, and new memorials and commemorations. Approving these projects, but then denying the agency the increased funding required to manage them effectively, is an abdication of our responsibilities and condemns our National Parks to an increasingly bleak future.

We have the public's support and attention; it is our responsibility to make sure that our parks are prepared to endure another 100 years of telling our national story and preserving our most treasured landscapes.

Honoring our Commitments to the First Americans

Our treatment of Indian tribes is a result of bargained-for exchanges enshrined in treaties, as well as hundreds of years of federal legislation and jurisprudence recognizing a fiduciary responsibility on the part of the United States toward Tribes. Special programs for American Indians are derived from this trust responsibility. American Indians themselves are taxpayers, just like every other American citizen, and federal programs designed to benefit Native Americans are anything but "handouts." Instead of enabling the Executive Branch to live up to our legal and moral obligations to America's first peoples, the Majority would rather cut funding for Indian programs and terminate the Federal trust responsibility, while muddying the waters and claiming that previous administrations are solely at fault for the dire situation in Indian Country. The continued program cuts and eliminations are a slap in the face to Indian Country and will only exasperate the current hardships faced by tribes and their members.

Trust Management

The Cobell Land Buy-Back Program was implemented to identify and transfer fractionated lands back to the tribes, spurring economic development and unlocking the land's potential. To date, the Program has been successful in reducing fractional interests by 23% and transferring the equivalent of 2.1 million acres of land back to tribal governments. Many tribes have already benefited, both economically and socially, from adding these lands to their existing tribal base. This program is also a win for the taxpayer, as management of these fractionated lands is substantial, with the costs rising with each successive generation. The Cobell Settlement never envisioned that the Buy-Back Program would completely solve fractionation across Indian Country. It does not compel landowners to sell, so there is always the option for landowners to opt-out.

Additionally, all purchase offers reflect fair market value, and the Department of the Interior would not have known at the time of the settlement what the value would be at each location. However, the work the program is doing has laid important groundwork and has been very successful in reducing the amount of fractionated interests to date. Fractionated ownership continues to present a serious problem that, if not addressed, will only get worse, placing Indian land further out of Indian control and adding to the excessive administrative costs of managing the interests. The Cobell Land Buy-Back Program should be continued, and options to enhance it and extend it past its 2022 expiration date should be explored. Any changes to the Program must be in the best interest of tribal members, as well as sustaining the primary goal of strengthening tribal sovereignty and self-determination when reducing fractionation.

Tribal Recognition

The Secretary of Interior's authority to acknowledge the existence of Indian tribes is deeply rooted in the laws passed by Congress and the structure of the Constitution. Congress rightly granted the Assistant Secretary of Indian Affairs the authority to "have management of all Indian affairs and of all matters arising out of Indian relations." This includes the authority to administratively acknowledge Indian tribes, which is implemented by the Office of Federal Acknowledgement (OFA) under rules codified in 25 CFR Part 83 (the "Part 83" process). The Part 83 process provides a non-partisan, research-based approach to determining the validity of tribal claims—a rigorous, time-consuming process that is based on hard science and meticulous investigation. Removing or undermining that process, and leaving an act of Congress as the only path forward, will result in further delays and difficulties for tribes. Most dangerous of all, it will leave tribal recognition decisions victim to political whims and special interest influence.

Office of Insular Affairs

The proposed 18% cut to the budget of the Office of Insular Affairs, (OIA) will be disastrous for the U.S.-affiliated insular areas, given OIA's broad authority to address the island's specific needs. The Insular Areas are already struggling with constrained budgets, recovering from the impacts of catastrophic storms and the tax law enacted last year which will worsen local challenges due to significant revenue losses for those territories whose local tax laws mirrors the IRS code. OIA's modest budget should be protected to allow them to continue to assist the Insular Areas in achieving sustainable economic development and greater financial self-sufficiency.

Water rights settlements and Water Projects

We must also increase funding to implement tribal water rights settlements and rural water projects that deliver potable water to tribal communities. Given that rural water projects are projected to take more than 50 years to complete at current funding levels, Congress should invest more in these projects in order to expedite project completion. Recognizing that most Reclamation Projects are at, or approaching, their engineering design life, we also support robust funding levels for the Replacement, Additions, and Extraordinary Maintenance Program and for the Dam Safety Program.

Bureau of Reclamation

The Bureau of Reclamation must begin prioritizing funding for new water infrastructure that is resilient to climate change. Climate change is already affecting the hydrology of the Western United States. Average temperatures are on the rise and snowpack – a major water source for the West – is declining.

While funding for new surface storage will be appropriate in some cases, in most cases other water infrastructure should be prioritized for funding. Due to the dam building spree of the 20th Century, much of the Western United States is already saturated with dams and most of the best construction locations for dams have been taken. As such, proposed new dams often do not yield enough water to justify their multibillion-dollar construction budgets.

Reclamation must prioritize funding for modern water infrastructure such as reuse and recycling projects, which provide drought-proof water supplies that do not depend on the whims of our increasingly unreliable hydrology. President George W. Bush's Reclamation Commissioner John Keys presciently predicted that "the reuse of wastewater and recycled water…could be the next river of the Western United States to tap for critical water supply." Reclamation must make investments in the right infrastructure now to fully tap this next great river of the 21st Century.

Reclamation's budget must also prioritize funding for programs like WaterSMART, which has a large non-federal cost share that helps leverage limited federal dollars. WaterSMART's cost sharing activities include the Title XVI Water Reuse and Recycling Program (1:3 match), WaterSMART Grants (1:1 match), and the basin studies (1:1 match). These programs are models for doing "more with less." Together, the Title XVI Water Reuse and Recycling Program and the WaterSMART Grants program have spurred more than $2.4 billion in non-federal funding for water supply improvements. Given that Reclamation has a backlog of more than $450 million for authorized Title XVI projects, current funding levels must be increased dramatically. Funding should also be prioritized for other modern infrastructure projects that promote climate change resilience such as groundwater storage, storm water capture, and water-use efficiency projects.

Wildfire Suppression

While Congress provided increased funding for wildfire suppression for FY 2017, we must remain focused on identifying a permanent fix for the wildfire budget. Longer, more intense wildfire seasons, largely caused by climate change, will continue to be a reality. Mitigating the risk of catastrophic wildfire across the country requires a significant investment in proactive forest management. However, proactive management efforts are undermined when the Forest Service is forced to spend over half of its budget fighting active wildfires. This trend will continue if Congress fails to provide a permanent solution to chronic wildfire funding shortfalls.

Endangered Species Act

The Endangered Species Act has been extremely successful in protecting wildlife in danger of extinction, preventing more than 99 percent of listed species from going extinct, including the American bald eagle and the Florida manatee. It is our responsibility to protect our natural heritage for our children and grandchildren by protecting endangered species and their habitat. However, some members of Congress are attempting a power grab, seeking to take authority away from scientists who should be making decisions about which species need protection. Detractors of the ESA say more species should be delisted, but the prerequisite for delisting is recovery. We must provide additional funding to expedite species delisting.

National Wildlife Refuge System

The National Wildlife Refuge System, which encompasses more than 850 million acres, is our nation's only network of public lands and waters dedicated to the conservation of fish and wildlife. The Refuge System provides necessary habitat for fish, animals, plants, and other organisms, while at the same time providing incredible recreational opportunities for hunters, anglers, and outdoor enthusiasts of all kinds. These refuges generate $2.5 billion and provide 35,000 jobs to local economies annually, returning nearly five dollars to taxpayers for every dollar invested. Unfortunately, funding for the Refuge System has remained flat for years, limiting the benefits they can provide to the American People. Congress must increase funding to protect our public lands and native species.

In addition, the Administration's budget eliminates the National Wildlife Refuge Fund. This fund was established to provide payments to counties and other municipalities that possess national wildlife refuges to help offset lost property tax revenue due to federal land acquisition. The proposed budget aims to eliminate this program under the rationale that communities see enough economic benefit from proximity to refuges. Communities that support our public lands should not be penalized.

Wildlife Trafficking

Wildlife trafficking is the fourth biggest organized criminal activity in the world and is linked to organized crime syndicates, terrorists, and insurgent groups. FWS law enforcement is critical for combatting illegal wildlife trade and trafficking. The Administration's budget proposes a drastic reduction in funding for law enforcement, which would decrease the number of special agents that work to stop domestic and international wildlife crimes. While we have made progress working with other governments and partners on the ground in Africa, Asia, and South America to make wildlife trafficking more difficult and less profitable, there is still much to be done if we hope to save elephants, rhinos, sharks, and other species from extinction. It would be irresponsible for this Congress to continue to ignore funding needs for these important initiatives.

North American Wetlands Conservation Fund

The North American Wetlands Conservation Act (NAWCA) is a partnership-based program that leverages non-federal funds to protect, restore, and manage wetlands and associated habitats for migratory birds and other wildlife. NAWCA is a landmark investment and one of the most cost-effective conservation programs. Federal dollars invested in NAWCA are typically matched by more than three dollars from non-federal partners at the local and state level, including corporations, private landowners, and non-profits. Since its enactment, the program has generated over $4.34 billion in partner funds leveraged by $1.48 billion in grant funds to protect nearly 33.4 million acres across the nation. Despite the program's demonstrable success, Congress continues to cut its funding.

National Oceanic and Atmospheric Administration

NOAA provides critical information to support the American economy and protect our oceans and coasts. Unfortunately, the Administration's budget proposal is seeking deep cuts to major NOAA programs, which would undermine decades of ocean and fisheries conservation.

The Chairman's repeated assertion that NOAA spends too much money on satellites and climate research, and not enough on fisheries science, shows a fundamental lack of understanding of science. Particularly in this time of rapid climate change, we need more of *all* the science NOAA produces – not less – to fully understand our fisheries and make informed management decisions that allow sustainable harvests as species move and ocean chemistry changes. In addition, the Chairman will have you believe that he supports funding for improved fisheries data, however, in 2015, when Congresswoman Capps offered an amendment to authorize $25 million in appropriations to improve fishery data used in stock assessments, he did not support it.

National Marine Fisheries Service

The National Marine Fisheries Service (NMFS) supports programs that promote productive and sustainable fisheries, restore important fisheries habitat, and conserve our protected resources such as marine mammals, sea turtles, and other marine species. In 2015, saltwater fishing generated $208 billion and supported 1.6 million jobs. Instead of decreasing NMFS's budget, as the President proposed, Congress should invest in sustainable fisheries management which, in turn, results in increased profits. In addition, Congress should fully fund the Cooperative Enforcement Program to effectively enforce protections for marine species and prevent the capture and sale of illegal seafood.

Ocean and Coastal Resources

The National Ocean Service (NOS) is essential to the sustainable management, protection, and restoration of our ocean and coastal resources. NOS projects help support coastal economic activity and reduce the threat to life and property on our coasts. However, grant programs that address coastal management issues, such as harmful algal blooms, and promote coastal resilience are under threat. Climate change is the greatest threat of this generation. Congress must increase funding to NOAA's Office of Oceanic and Atmospheric Research to help protect our nation's ocean and coastal resources from the threat of climate change and changing ocean conditions.

We need to dedicate significantly more resources to making our oceans and coasts more resilient and to address the impacts of global warming now so that industries like fishing, aquaculture, shipping, and others can continue to thrive. This includes protecting important ocean habitats through sound stewardship of Marine National Monuments and National Marine Sanctuaries. Funding management of these areas will help us better understand our changing oceans by giving us a baseline against which to study the true impacts of extractive activities elsewhere.

National Sea Grant College Program

The National Sea Grant College Program provides high impact research, extension, and education across the country. Sea Grant's work promotes collaborative knowledge and science-based management of ocean, coastal, and Great Lakes resources. The partnership between federal and state governments allows for local needs to be addressed with outcomes that benefit the entire country. Federal resources that are invested in Sea Grant are matched by state and local partners, and the Program has established a successful record. In 2017, the program reported $611 million in economic impact, an 826 percent return on the federal investment of $74 million. Additionally, 1,300 businesses and 7,100 jobs have been created or sustained by Sea Grant's work. Congress should provide funding for Sea Grant to ensure that the program can continue to fill this essential role. Funding for the program should keep pace with the growing needs of coastal communities and economies.

Sexual Harassment

The Department of the Interior released the results of a climate survey in 2017 that proved that the National Park Service is not the only DOI bureau that has a sexual harassment problem. DOI, NPS and some other bureaus have made important policy changes. However, as a committee minority staff report shows, there is a long way for the department to go. In addition, an organization that is serious about addressing sexual harassment knows that time, money, and personnel are required. Ongoing radical budget cuts decrease the likelihood that sufficient resources will be dedicated to sexual harassment. This year's budget was completely silent on dedicating funds to addressing sexual harassment, giving little confidence, the problem is being taken seriously.

Office of the Inspector General

A proposed budget should ensure a smoothly functioning, efficient, effective agency. The Department's Office of the Inspector General, whose funding boasts a 20:1 return on investment, is significantly underfunded. Areas of critical need for audits and investigations like cybersecurity and contracts are not being addressed. The OIG has received flat funding or small cuts each year from FY2015 to FY2017. During that time, the number of complaints has increased by 27 percent. In 2008, the OIG opened investigations on 23 percent of complaints received; in 2017 that figure was only 7 percent.

In office for only one year, Secretary Zinke is already under investigation for threatening Alaska's senators over Sen. Lisa Murkowski's health care vote; multiple instances of personal and political travel using taxpayer funds for costly flights; and potentially retaliatory or purge-related reassignments of large numbers of executive staff. Ranking Member Grijalva has sent dozens of document and information requests to the Secretary and the Department to learn more about how major policy decisions are being made. Not a single letter has produced a substantial response. The Secretary has similarly rebuffed oversight efforts from the House Committee on Oversight and Government Reform.

Several high-ranking DOI political appointees were lobbyists for or employees of the industries they now regulate. The complicated financial interests and lack of previous public-sector experience characteristic of many serving in the Trump Administration create a challenging environment for ethical watchdogs at Interior and across the executive branch. In this environment, a fully staffed and funded Office of Inspector General is more crucial than ever. OIG staff are hard-working and dedicated to their mission, but they cannot perform their duties to the American people without adequate resources.

Department Reorganization

Wholesale reorganizations can be smart investments that are essential to maintaining relevance, efficiency, and innovation. It is possible that the DOI reorganization that Secretary Zinke has been talking about publicly since his second day in office is such an investment. But when members of Congress have asked for a copy of the plans, he has repeatedly refused, giving assurances that details would be made available along with the release of the proposed budget for FY2019 as required by OMB. Those assurances were not honored. The majority's own witnesses lamented the fact that a hearing on the reorganization plan did not include a witness from DOI or a copy of the plan, including the one submitted to OMB last year.

The few details of the reorganization that have been disclosed through the press have raised concerns that it could be little more than an effort to weaken DOI and its bureaus by threatening funding, forcing the departure of thousands of valued employees, and putting regulated entities like fossil fuel companies in the driver's seat.

Though Secretary Zinke has acknowledged he could not fully implement the reorganization without approval from Congress, he has nevertheless taken multiple steps to implement it. It has been used to justify significant agency actions like reassigning several members of the Senior Executive Service, the rescission of an existing 100-year plan for the National Park Service, the ongoing hiring freeze, and the expansion of authority for Assistant Secretary for Insular Areas, Doug Domenech.

Implementing what he has called the "greatest reorganization in the history of" DOI in a piecemeal fashion using existing, unrelated authorities to avoid full scrutiny by Congress will make the task of Congressional approval more difficult, if not impossible.

Raúl M. Grijalva
Ranking Member
Committee on Natural Resources

TREY GOWDY, SOUTH CAROLINA
CHAIRMAN

ONE HUNDRED FIFTEENTH CONGRESS

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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March 5, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to the provisions of clause 4(f) of Rule X of the Rules of the House of Representatives for the 115th Congress, and Section 301(d) of the Congressional Budget Act of 1974, as amended, I am transmitting the Views and Estimates, including Minority Views, of the Committee on Oversight and Government Reform for Fiscal Year 2019.

Sincerely,

Trey Gowdy

Enclosures (2)

cc: The Honorable Elijah E. Cummings

Views and Estimates on the President's Fiscal Year 2019 Budget Request

Committee on Oversight and Government Reform

U.S. House of Representatives

115th Congress

In submitting these Views and Estimates pursuant to § 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, the Committee on Oversight and Government Reform (the Committee) is committed to doing its part to provide a fiscally responsible budget, particularly at a time when the Office of Management and Budget (OMB) projects the total deficit for FY2019 to be nearly $1 trillion.

The Committee's activities will emphasize regular oversight of programs in the Committee's jurisdiction. The Committee's legislative agenda is similarly focused on proactively addressing waste, fraud, abuse and mismanagement within the federal government, and eliminating wasteful spending to provide taxpayers a greater return on their investment. The Committee appreciates the opportunity to provide the below recommendations on areas or functions within its jurisdiction.

Census Bureau

A decennial census is constitutionally mandated under Article I, Section 2, clause 3, as modified by Section 2 of the 14th Amendment. The Committee will continue to oversee and examine the Census Bureau's planning and implementation of the 2020 Census. The Bureau has long struggled to contain costs of the decennial census, which has been plagued with large cost overruns. The Census Bureau previously estimated reusing the methodology of the 2010 Census in 2020 would cost $17.5 billion. However, Census planned to focus on cost saving measures to reduce this estimate by $5 billion over the lifecycle of the 2020 Census. In October 2017, the Committee heard testimony from Department of Commerce Secretary Wilbur Ross. Secretary Ross provided an updated lifecycle cost estimate for the 2020 Census of $15.6 billion, approximately $3 billion more than previous cost estimates.

The Administration's FY2019 budget proposed a $3.8 billion budget for the Census Bureau, an increase of $2.3 billion over FY2017. $3 billion of the $3.8 billion request is planned for the 2020 Census. Through regular oversight of the Census Bureau, the Committee will identify the drivers of these increased costs and determine what, if any, savings have been realized from the Census Bureau's efforts to find cost savings.

Government Accountability Office

The Committee strongly supports the work conducted by the Government Accountability Office (GAO). Congress relies on GAO's fact-based, non-partisan program evaluations and studies to support its legislative and oversight work. In FY2017 alone, GAO's work generated almost $74 billion in financial benefits and 1,280 program and operational improvements across government. This resulted in a return of $128 for every dollar invested in GAO in FY2017. GAO received 739 requests for work from Congress. GAO issued 658 reports; made 1,414 new recommendations; and testified at 99 hearings.

To address congressional priorities, and fulfill GAO's mission, a talented, diverse, high-performing, knowledgeable workforce is essential. A significant proportion of its employees will be retirement-eligible by the end of FY2016, including 42 percent of GAO executive leadership and 25 percent of supervisory analysts.

Office of Management and Budget

The Office of Management and Budget (OMB) within the Executive Office of the President is responsible for coordinating the President's budgetary duties. The Committee is the primary authorizing committee for OMB and oversees OMB functions for financial management and regulatory affairs. Outlays at OMB have been relatively consistent; for FY2019 OMB is requesting $103 million in budget authority.

Federal Acquisition

In FY2017, the federal government spent more than $500 billion on federal contracts, representing a six percent increase over FY2016.

Federal acquisition policy long ago recognized the benefits of acquiring commercial items and services. Unfortunately, in practice, the current policy preference for accessing the commercial marketplace is difficult to implement. Numerous executive orders, regulatory requirements, and associated compliance costs increase contractor costs (who may pass these costs back to the government) and limit competition by driving innovative small businesses from the government marketplace. This is a problem because there is a significant opportunity for the federal government to realize cost savings and access the innovation of the commercial marketplace by encouraging the acquisition of commercial items and services. The FY2016 National Defense Authorization Act (NDAA) authorized the Advisory Panel on Streamlining and Codifying Acquisition Regulations. The Committee continues to monitor the work and recommendations of the Panel for potential reform proposals that may apply in the civilian acquisition space.

Implementing "shared services" is another priority for the Committee. Shared services is a business model used widely in the private sector to deliver common back office administrative services (human resources, financial, supply chain, acquisition) and common mission support functions. Some experts have estimated the federal government annually spends about $125 billion on these back office functions, and that consolidating these functions could result in about $50 billion in savings.

Prior to FY2017, shared services received funding exclusively through reimbursements. In FY 2018, GSA created the Shared Solutions and Performance Improvement Office (SSPI) by merging the Office of Executive Councils and the Unified Shared Services Management Office.

SSPI is expected to serve as an in-house idea shop for leveraging shared services to increase government efficiency and reduce costs. The office advises multiple federal management councils, including the Chief Acquisition Officers Council, the Chief Financial Officers Council, and the Chief Information Officers Council. The Committee is concerned at the lethargic pace at which the government has attempted to adopt shared services in the past, but will be closely monitoring renewed efforts to implement this cost saving model. SSPI received $2 million in annual appropriations and an additional $2.5 million from reimbursements.

Information Technology Modernization and Management

There are significant opportunities for cost savings in the federal government's strategy to procure, operate, and maintain information technology (IT) infrastructure. For the last few years, the government spent more than $90 billion annually on IT purchases and maintenance with over 75 percent of this spending on operations and maintenance of existing or legacy IT systems. Federal IT acquisitions and operations is currently on the 2017 GAO "High Risk List."

For FY2019, federal agencies plan to spend over 80 percent of their IT budget to keep aging legacy systems running, a five percent increase over last year. By contrast, agencies will spend only 20 percent on IT modernization for FY2019. Total non-defense, unclassified IT spending amounted to $45.5 billion in FY 2018, up from $44.9 billion the previous year.

The Committee has been actively pursuing options to incentivize IT modernization including the Modernizing Government Technology (MGT) Act which was enacted in December 2017 (P.L. 115-91). The MGT Act authorizes a central Technology Modernization Fund (TMF) to be overseen by a Board chaired by OMB and administered by GSA. The President's FY 2019 budget request includes $210 million for the TMF. The proposed TMF funding has been described as seed money that will be subsequently be replenished by agency repayments for the initial funds transferred to agencies to complete the work.

The Committee has conducted oversight of agency's implementation of the Federal Information Technology Acquisitions Reform Act (FITARA). FITARA empowers agency CIOs to manage IT, requires data center consolidation and driving effective management of agency IT portfolio. The Committee has issued bipartisan scorecards tracking the progress of each agency. In November 2017, the Committee issued the FITARA Scorecard 5.0. There has been steady progress and increased agency attention on FITARA implementation. Notably, GAO has reported on and OMB has established government-wide cost savings goals resulting from data center consolidation pursuant to FITARA. For example, GAO reported in August 2017, federal agencies are expected to reduce annual costs government-wide by reducing physical data centers by 25 percent with an expected savings of $2.7 billion by the end of FY2018. Through FITARA and other oversight work, the Committee will continue its focus on effective IT management, IT modernization and implementation of innovative technology solutions to drive savings.

Federal Real Property

The federal government continues to maintain too much excess and underutilized property. Since 2003, federal real property management has appeared on the GAO High Risk

List due to concerns about the reliability of real property data, the deteriorating conditions of facilities, the quantity of excess and underutilized properties, an overreliance on leasing, and building security. The federal government is the largest single holder of real property in the United States, with more than 900,000 assets in its inventory, including 267,000 buildings. Additionally, agency leases cost taxpayers over $7 billion annually.

The federal government could realize hundreds of millions of dollars in savings by disposing of unneeded or underutilized property, as well as consolidating and co-locating properties to realize cost efficiencies and improve shared resources. In the 114th Congress, the Committee worked on two bills to address this problem that were enacted: the Federal Assets Sale and Transfer Act of 2016 (FASTA) and the Federal Real Property Management Reform Act of 2016. FASTA creates a Public Buildings Reform Board for disposing, consolidating, and otherwise realigning the government's real property portfolio. FASTA also incentivizes additional reduction and savings efforts by allowing agency retention of sales proceeds for specific disposal related purposes.

The General Services Administration (GSA) has been operating under a series of continuing resolutions from Congress and cannot proceed until a full fiscal year appropriation has been enacted. Unfortunately, due to lack of budget certainty, the Public Buildings Reform Board is not yet operational and the promise of savings has not yet been realized. For FY2019, the Committee will work to monitor implementation of the two Acts and work with the Administration to ensure implementation meets goals of saving money by reducing federal building footprint.

Federal Workforce

The Committee has primary jurisdiction of government-wide federal personnel agencies including: Office of Government Ethics (OGE); Merit Systems Protection Board (MSPB); Office of Special Counsel (OSC); Federal Retirement Thrift Investment Board (FRTIB); Federal Labor Relations Board (FLRB); and Office of Personnel Management (OPM). At OPM, the Committee oversees the Federal Employees Health Benefits Program (FEHBP) and the two federal retirement programs Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS). FEHBP, CSRS, and FERS are the largest mandatory budget programs authorized by the Committee.

According to the OMB, the federal executive branch civilian workforce was comprised of approximately 2.06 million non-postal employees in FY 2017. This is a 5,000 employee increase from FY2016. The Administration estimates the federal workforce will be 2.085 million in FY2018 and 2.095 million in FY2019. The agencies driving this increase include the Department of Homeland Security, the Department of Commerce, the Department of Veterans Affairs, and the Department of Defense. In FY2017, the federal government spent over $273 billion in pay and benefits for executive branch employees. That number is expected to rise to $279 billion in FY2018 and again to $284 billion in FY2019.

The Committee supports federal government efforts to cultivate a civilian workforce with skills that can be applied to tomorrow's challenges. Accordingly, the Committee will look to ensure the size and composition of the federal workforce is driven by critical needs such as cybersecurity, acquisition, and human resources specialists. In fact, human capital management in the federal government was included on the GAO 2017 High Risk List. The Committee will work with the Administration, the House Budget Committee, and others to increase the efficiency of the hiring process and to create a modern and competent civil service.

The Committee will also work to better align overall federal compensation with that of the private sector to ensure a good deal for both federal employees and the American taxpayer. At the request of the Committee, the Congressional Budget Office (CBO) released a 2017 report on options for changing the retirement system for federal civilian workers. CBO reported on average federal employees receive a combined 17 percent higher wage and benefits package than the private sector over the 2011–2015 period. CBO found federal benefits to be 47 percent more generous than the private sector, while federal employees on average received three percent more in pay.

To address these compensation disparities, the Administration's FY2019 budget again included a series of retirement reform proposals totaling nearly $152 billion in savings over the FY2019 – FY2028 period. The Committee has considered these proposals in the past, and it will continue to pursue policies to ensure federal employees are contributing an equitable share toward the cost of their retirement. In FY2019, the Committee will continue to study a defined contribution retirement system that benefits the federal employee, government agencies, and American taxpayers.

The Committee remains concerned with the $789 billion unfunded liability in the Civil Service Retirement and Disability Fund. The Committee will continue oversight of the plan crafted by the Federal Employees Retirement System – Further Revised Annuity program to ensure the liability begins to decline.

OPM is responsible for managing federal benefit programs, including FEHBP. OPM allows federal employees to purchase health insurance from outside groups approved by OPM. The federal government pays for 72 percent of the weighted average of all plan premiums, not to exceed 75 percent of any given plan's premium. In FY2018, there were 8.3 million federal employees, retirees, and their dependents enrolled in FEHBP. For the 2017 plan year, FEHBP enrollees saw a 4 percent increase in premiums. Since passage of the Affordable Care Act (also known as Obamacare), OPM has reported it is harder to keep FEHBP premium increases in check, a trend impacting Americans across the country. Additionally, in the past OPM has not collected enough data to make informed decisions about enrollee healthcare spending and trends.

The Committee appreciates the Administration's proposal to make FEHBP coverage more affordable and increase quality. We believe OPM must focus on its core mission and support eliminating the Multi-State Program (MSP). The MSP is administered by OPM but does not relate to OPM's essential mission functions related to the civil service. In FY2017, the MSP program cost $9.4 million to administer, down from $12.6 million in FY2016. By eliminating the MSP, OPM can devote its attention to ensuring federal employees receive the highest quality and most affordable health care.

Beyond federal benefit programs, the Committee is considering reauthorization of the OGE and MSPB. OGE oversees the executive branch's ethics program and works to ensure government decisions are made free from conflicts of interest. The MSPB is a quasi-judicial executive agency charged with upholding merit system principles for executive branch civilian employees. Both of these agencies are currently operating without authorization. The Committee is working on legislation to reform and reauthorize these programs to enhance the value these agencies bring to the federal workforce and the taxpayer.

Finally, the Committee will continue its work to bring accountability to the federal personnel system by seeking to ensure agencies have the tools necessary to take action against misconduct and poor performance. On June 23, 2017, the President signed *The Department of Veterans Affairs Accountability and Whistleblower Protection Act of 2017* (P.L. 115-41). The Committee is considering expanding these important reforms government-wide. The Committee will also seek to enact a two-year probationary period for civilian employees, substantially similar to the two-year probationary period for new Department of Defense civilian employees. In 2017, the House of Representatives passed H.R. 4182, the Ensuring a Qualified Civil Service Act of 2017 (EQUALS Act), sponsored by Representative Jim Comer (R-KY). The Committee looks forward to working with the Senate to enact the EQUALS Act.

Postal Reform

The United States Postal Service (USPS) continues to face severe budget challenges and is in need of structural reforms to ensure its future solvency. Mail volume and revenue continue to decrease, but liabilities continue to increase creating a net loss for the 11th consecutive year. In FY2017, USPS saw a 3.1 percent decline in mail volume and a 2.6 percent decline in revenue over FY2016. USPS unfunded liabilities are driven by retiree health and pension benefit obligations for which USPS has not set aside sufficient funds to cover. The financial condition at USPS is so dire GAO regularly places USPS on its High Risk List.

Going forward, USPS needs concerted action to address its unfunded liabilities and further cost cutting reforms to ensure its continued competitiveness. With regard to the liabilities, the Committee is currently examining potential proposals to help the agency address its largest liability: retiree health care.

With regard to cost cutting initiatives, the Committee is working to advance proposals designed to help USPS address delivery costs. Over the last several years, USPS has successfully implemented a number of reforms designed to capture savings from its post office and mail processing networks. To that end, the Committee is considering reforms including centralized delivery in place of "to the door" delivery. Converting addresses from "to the door" to centralized delivery units can save hundreds of dollars per address per year and provide increased value to USPS customers through secure locations to receive packages when they are not home.

Ultimately, major restructuring and modernization is necessary to preserve affordable, self-financing, universal service through USPS. Without legislative reform in the near future, USPS will remain on an unsustainable financial trajectory that will result in repeated requests for short-term, taxpayer-funded financial relief to stave off insolvency and a massive taxpayer bailout.

To help accomplish reform, the Committee requests a deficit neutral serve fund in the FY2019 budget for legislation addressing reform of USPS.

Office of Information and Regulatory Affairs

Within OMB, the Office of Information and Regulatory Affairs (OIRA) is responsible for numerous information management and regulatory review functions. OIRA reviews significant regulations, approves information collection requests, oversees federal statistical practices and coordinates federal privacy policy. OIRA is also responsible for coordinating and reviewing deregulatory activities in accordance with Executive Order 13771. On average, OIRA's 45 staff review over 500 significant regulations and evaluate and approve more than 3,000 information collection requests per year. Under the previous administration, OIRA was consistently underfunded at less than $10 million per year. OIRA would need funding closer to $20 million to fill 45 vacant staff positions.

In previous budgets, the House Budget Committee has supported the creation of a regulatory budget. If a regulatory budget is enacted, OIRA will be critical to holding agencies accountable for regulatory spending. As the Joint Select Committee on Budget and Appropriations Process Reform meets to consider ways to improve the current budget process, the Committee urges greater consideration of the central role OIRA plays in controlling regulatory costs.

Inspectors General

The Inspector General Act of 1978 established the offices of the Inspectors General (IG) and granted IGs broad access to records and other information relevant to the programs and operations that fall within the scope of their mission. The Committee strongly supports the IG community. IGs play a critical role in identifying waste, fraud and abuse government-wide. Inspectors general aid agencies and Congress in identifying inefficiencies and potential cost savings. Investing in the inspector general community yields significant returns throughout the government. In FY2016, the inspector general community identified $45.1 billion in potential cost savings. Total budget outlays for IG offices were $2.7 billion, meaning potential cost savings represent $17 return for every dollar invested.

Office of National Drug Control Policy

The Office of National Drug Control Policy (ONDCP) authorization expired at the end of FY2010, but it continues to receive significant annual appropriations. In FY2017, funding for ONDCP was $19 million. However, the two largest drug control programs administered by ONDCP, the High Intensity Drug Trafficking Areas (HIDTA) program and the Drug Free Communities program, were funded at $254 million and $97 million, respectively.

In light of the current opioid epidemic, the Committee supports the HIDTA and Drug Free Communities programs within ONDCP and believes the Media Campaign should be restored in order to reach the broadest possible audience. The Committee is considering legislation to reauthorize and improve ONDCP's structure and operations to ensure that ONDCP maintains a strong role in coordinating drug control policy.

Washington Metropolitan Area Transit Authority

The Committee has jurisdiction over the District of Columbia, including the Washington Metropolitan Area Transit Authority (WMATA). In addition to fare box and advertising revenue, WMATA receives federal funding through annual federal appropriations. Specifically, it receives Federal Transit Administration formula grants and a line item appropriation. The District of Columbia, Maryland, and Virginia also raise matching funds through dedicated sources to pay for Metro's services. In a line-item appropriation, Congress directed $150 million to Metro in FY2017. WMATA's FY2019 budget does not rely on increased federal subsidies, but instead seeks additional funding from District of Columbia, Maryland and Virginia governments while continuing to take actions to cut costs and increase business revenues. Despite a number of programs aimed at bringing the transit system back into a state of good repair, the system continues to experience delays and infrastructure breakdowns. The Committee will continue to conduct oversight of WMATA's financial status to ensure good stewardship of federal funds.

District of Columbia Opportunity Scholarship Program

In January 2018, an independent auditor reported that 34 percent of District of Columbia Public Schools (DCPS) graduates failed to meet graduation requirements, including attendance requirements. Until this audit, DCPS had received praise for increasing graduation rates, but DCPS still produces some of the lowest test scores across all states and territories. The District of Columbia Opportunity Scholarship Program (DCOSP) is a critical component of ensuring that low income families have the same opportunities to choose between public schools, charter schools, and quality private schools. Currently, 97 percent of participating children are African-American and Hispanic, and the average income for participating families is less than $22,000 per year. The Committee supports continuing DCOSP to provide access to a quality education for students of low-income families. DCOSP was reauthorized during the 114th Congress through FY2019. Under the reauthorization, DCPS can be appropriated up to $60 million per year to be evenly distributed between public schools, public charter schools, and the DCOSP. In FY2017 and FY2018, $45 million was appropriated to this program, which has served 1,154 students in 41 private schools during the 2016–2017 school year.

Federal Records

The National Archives and Records Administration (NARA) budget request for FY2019 is $22 million less than FY2017 or a five percent reduction to NARA's budget. In the current constrained budget environment, the Committee supports NARA's efforts to streamline operations while maintaining core services. The Committee is especially supportive of NARA efforts to use shared services for human capital and records. Increasing government-wide shared services is a priority for the Committee.

The NARA 2018–2022 Strategic Plan outlines a new direction for federal recordkeeping. Beginning in 2022, NARA will require agencies to transfer all permanent records to the National Archives in electronic formats to the fullest extent possible. Requiring electronic submission of records will help NARA speed up the archiving process. Additionally, a 2015 NARA Office of Inspector General report noted NARA had utilized 88 percent of its archival capacity and found significant new capacity would be needed by 2030 to accommodate existing documents currently residing within originating agencies. The Committee supports NARA's work to capture electronic agency records; however, the Committee will conduct oversight of NARA's efforts to ensure all federal records are being captured and preserved including records from internal instant messaging systems.

Once again, the Committee recommends elimination of the National Historical Publications and Records Commission Grants Program. In FY2019, NARA is not requesting appropriations for this program; however, for FY2017 the Appropriations Committee provided $6 million.

Former President Benefits

In November 2017, the House of Representatives passed by voice vote H.R. 3739, the Presidential Allowance Modernization Act of 2017. If enacted, the Presidential Allowance Modernization Act will amend the *Former Presidents Act of 1958* to establish limits on the allowance for a former president. The allowance will be reduced dollar-for-dollar by each dollar of earned income in excess of $400,000. The allowance will otherwise be reduced to $350,000 five years after leaving office and then to $250,000 after eleven years. The bill sets a former president's pension at $200,000. The bill also increases the pension for the surviving spouse of a former president from $20,000 to $100,000. Finally, a rule of construction clarifies that nothing in the bill affects any law relating to security or protection of a former president. CBO estimates that implementing the legislation would reduce outlays by $7 million over the 2018–2022 period. The bill currently awaits action in the Senate.

Improper Payments

The Committee remains concerned about the high level of improper payments across the government, especially in mandatory spending programs. Improper payments are payments made to the wrong person, for the wrong reason or for the wrong amount, mostly resulting in overpayments. More than 75 percent of total improper payments are made by three programs: Medicare, Medicaid, and the Earned Income Tax Credit.

In 2010, Congress passed the *Improper Payments Elimination and Recovery Act* (IPERA), which expanded the use of data to identify and control improper payments. In 2016, the Committee released a report analyzing the five years of data collected under IPERA which showed nearly $1 trillion of improper payments across the government. The Committee remains concerned that several agencies have never complied with IPERA, including the Department of Health and Human Services, the Department of Agriculture, and the Department of Veterans Affairs.

The Committee's ability to conduct oversight of improper payments continues to be hampered by incomplete and unreliable data from agencies; however, in FY2019 the Committee will continue to conduct oversight of improper payments. Until agencies fully comply with existing improper payments laws and follow good practices to prevent improper payments, the Committee does not anticipate major reductions in improper payments can be accomplished in the FY2019 ten year budget window.

Unfunded Mandates

The Committee is evaluating how to improve the regulatory process and increase government efficiency through the reauthorization of the *Unfunded Mandates Reform Act* and the *Paperwork Reduction Act*. Strengthening the mechanisms in these laws protect economic innovation and participation by state and local governments may require additional activity by federal agencies.

According to a report from the American Action Forum, from 2009 to 2016, 101 federal unfunded mandates were signed into law, imposing $596 billion in net present value costs, $63 billion in annual burdens, and 101 million paperwork burden hours. Environmental regulations are especially burdensome on state and local governments: according to the Chamber of Commerce, states administer 96.5 percent of all federal delegated environmental programs, yet federal categorical grants to states fund no more than 28 percent of the amounts needed to run the programs.

The Committee has undertaken a comprehensive review of federal unfunded mandates. In response to a Committee request, 25 state and local government officials and national associations identified 645 specific federal laws and regulations that impose significant burdens and unduly consume state and local resources. Many respondents informed the Committee they would see similar savings to those projected for repeal of federal unfunded mandates. For example, Kentucky estimates a repeal of the *Davis-Bacon Act* would create $13 billion in savings to the federal government from 2018 to 2026.

State and local government officials repeatedly list federal unfunded mandates as one of their top priorities for reform. The Committee passed unfunded mandates reform legislation in previous Congresses and this Congress may consider H.R. 50, the Unfunded Mandates Information and Transparency Act of 2017.

Program Redundancy

Since 2011, GAO has issued annual reports on duplicative, overlapping, or fragmented programs or other areas of potential cost savings across the federal government. In the 2017 report, GAO found the federal government has already saved $75 billion from 2011 to 2016, with 82 percent of recommendations successfully implemented. If the recommendations are fully addressed, the federal government could save an additional $61 billion. At a time when the American people are increasingly concerned about the inflated cost of government and runaway federal deficits, duplicative programs present an obvious area to decrease spending and increase efficiency.

Unfortunately, GAO's ability to further identify waste and duplication across the federal government is limited by poor data quality and a lack of transparency into federal government operations. In an effort to address this problem, the Administration is currently implementing the *Digital Accountability and Transparency Act (DATA) of 2014*, which requires standardized federal spending data. The second quarter of 2017 was the first time agencies reported certain data was fully compliant with the *DATA Act*. Effective implementation of the *DATA Act* will allow GAO, Congress, and the American public to better understand how tax dollars are spent.

In an effort to further improve data quality, the House passed the Taxpayers Right-To-Know Act (H.R. 71) by voice vote in January 2017. The bill currently awaits consideration in the Senate. If enacted, this legislation will improve transparency of the federal government's operations at a program level.

Transparency into federal spending and program-level activities is essential to ensure Congress and the Executive Branch are effective stewards of taxpayer dollars. Full implementation of the *DATA Act* and ultimately the Taxpayers Right-To-Know Act will help GAO and Congress better identify waste and inefficiencies by increasing transparency into federal spending decisions and duplicative or overlapping programs.

Minority Views
Budget Views and Estimates for Fiscal Year 2019
Committee on Oversight and Government Reform

March 5, 2018

The Minority offers these Views and Estimates on the fiscal year (FY) 2019 budget pursuant to § 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f). The President's budget calls for devastating cuts to programs that benefit the middle class and less fortunate Americans by undermining our nation's commitments to education, research, and other critical engines of economic prosperity. It would weaken the safety net for the most vulnerable Americans by advocating cuts to Medicare and Medicaid. These proposed cuts come in the wake of the largest tax cut in American history, which will increase the nation's deficit by 1.5 trillion dollars. The vast majority of the tax cuts will benefit corporations and the wealthiest Americans. The President's budget relies on massive accounting gimmicks to make the size of the deficit seem smaller, such as the assumption that economic growth will average 3% in coming years, an assumption with which no reputable economist agrees.

Oversight

In the first year of the Trump Administration, Democratic Members of the Committee have demanded robust and meaningful oversight of the Executive Branch. Unfortunately, we often have been forced to act alone, without support from our Republican counterparts, to attempt to investigate the Trump Administration's repeated and unprecedented violations of numerous good governance norms, as well as traditional waste, fraud, and abuse issues.

Even when the Chairman has agreed to engage in oversight of the Trump Administration, he has failed to follow up or issue any subpoenas to ensure that the Committee obtains key documents—especially with respect to requests to the White House.

To date, the Chairman has blocked 19 requests from Democratic Members to subpoena documents. At a business meeting on November 2, 2017, the Chairman refused to put six subpoena requests onto the agenda, and on February 6, 2018, he refused to put 13 additional subpoena requests onto the agenda. These actions blocked the ability of all Committee Members to debate and vote on these motions.[1]

Federal Workforce

The Minority strongly opposes the President's proposals to cut the pay and benefits of hardworking middle class employees. President Trump seeks to impose a FY 2019 pay freeze

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[1] House Committee on Oversight and Government Reform, Democratic Staff, *GOP Blocks 13 More Subpoena Motions for a Total of 19 Subpoenas Rejected by Oversight Committee* (Feb. 6, 2018) (online at https://democrats-oversight.house.gov/news/press-releases/gop-blocks-13-more-subpoena-motions-for-a-total-of-19-subpoenas-rejected-by).

along with cuts of $155 billion in retirement and healthcare benefit over ten years for federal workers. Rather than strengthening the federal workforce and making the federal government the model employer, the President's proposals would decimate the civil service and endanger agency missions.

Federal employees have already sacrificed nearly $200 billion in pay and benefits to help reduce the federal deficit and fund other government programs. They endured a three-year pay freeze that began in 2011. Imposing a pay freeze on federal workers now would harm the government's recruiting efforts by further increasing the disparity between federal and private sector pay.

The Minority opposes the President's proposals to cut $152 billion in federal retirement benefits, which would jeopardize the pensions of more than 2 million federal employees who dedicate their lives to public service. These proposals include: (1) increasing employee retirement contributions by 1% per year for several years; (2) using a high-five average salary instead of a high-three in the computation of federal annuities; (3) eliminating the cost of living adjustment for retirees in the Federal Employee Retirement System (FERS) and reducing it for retirees in the Civil Service Retirement System by 0.5%; (4) eliminating the special annuity supplement for FERS retirees who have not reached the minimum Social Security retirement age; and (5) reducing the rate of return for the G fund in the Federal Thrift Savings Plan.

The Minority opposes the President's proposal to reduce the federal government contribution rate for employee healthcare premiums, which would result in nearly $3 billion in benefit cuts.

The Minority opposes the President's proposal to slow step increases while increasing performance-based pay for certain workers. The Department of Defense tried unsuccessfully to implement a pay for performance system, the National Security Personnel System, which was terminated by Congress because it discriminated against certain workers.

The Minority has significant concerns with the President's proposal to replace across-the-board pay raises with "targeted pay incentives."[2] The Budget proposes a $1 billion interagency workforce fund to fund these incentives. Implementation of such a system would depend on the definition of "essential skills" and runs the risk of discriminating against certain workers.

The Minority is supportive of hiring improvements as long as merit-based selection for the civil service is preserved. However, the Minority opposes any efforts to streamline dismissal processes that would infringe upon due process rights designed to protect whistleblowers and those who are wrongly accused.

The President's budget proposes "modernizing" federal agencies by implementing agency downsizing plans and imposing budget reductions of 2% annually, resulting in an estimated savings of $1.5. Although agencies submitted their downsizing plans in September,

[2] The White House, *Modernizing Government, 2019 Budget Fact Sheet* (Feb. 2018) (online at www.whitehouse.gov/wp-content/uploads/2018/02/FY19-Budget-Fact-Sheet_Modernizing-Government.pdf).

the Administration is refusing to produce them to Congress, and the Committee is exercising no significant oversight of these wide-ranging efforts.

On October 5, 2017, Democratic Committee Members wrote to Chairman Gowdy to request that he hold hearings to examine the Trump Administration's plans for downsizing federal agencies and obtain copies of agency plans.[3] He did not respond to the letter.

The Chairman declined to join Ranking Member Cummings in sending a letter on December 19, 2017, to the Office of Management and Budget requesting copies of the plans.[4] OMB refused to produce these documents.

On February 2, 2018, Ranking Member Cummings and Vice Ranking Member Connolly sent another letter to Chairman Gowdy asking him to place this matter on the agenda for the business meeting scheduled for February 6, 2018 so all Members could have the opportunity to debate and vote on a motion to subpoena the downsizing plans.[5] The Chairman blocked the Minority's efforts to offer the subpoena.

Postal Reform

The financial condition of the Postal Service remains fragile. The Postal Service has incurred cumulative net losses of $65.6 billion from 2007 through 2017. From 2012 through 2016, the Postal Service has defaulted on $33.9 billion in prefunding payments for retiree health benefits. In September 2017, the Postal Service failed to pay $6.9 billion in payments due for amortization of unfunded health and pension liabilities and the normal cost of retiree health benefits.

Despite its financial challenges, the Postal Service has been able to reduce some of the impact of the decline of first class mail through increased volume in its shipping and package services. However, the Postal Service's long-term financial stability depends on the enactment of legislative reforms.

Last March, the Oversight Committee passed a bipartisan postal reform bill, H.R. 756, introduced by then-Chairman Chaffetz, Ranking Member Cummings, and other Committee

[3] Letter from Democratic Members to Chairman Trey Gowdy, House Committee on Oversight and Government Reform (Oct. 5, 2017) (online at https://democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2017-10-04.EEC%20OGR%20members%20to%20Gowdy%20re%20Agency%20Downsizing.pdf).

[4] Letter from Ranking Member Elijah E. Cummings, House Committee on Oversight and Government Reform, to Director Mick Mulvaney, Office of Management and Budget (Dec. 19, 2017) (online at https://democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/documents/2017-12-19.EEC%20to%20Mulvaney-OMB%20re%20Agency%20Reorganization.pdf).

[5] Letter from Ranking Member Elijah E. Cummings and Vice Ranking Member Gerald E. Connolly, to Chairman Trey Gowdy, House Committee on Oversight and Government Reform (Feb. 2, 2018) (online at https://democrats-oversight.house.gov/sites/democrats.oversight.house.gov/files/2018-02-02.EEC%20%26%20Connolly%20to%20Gowdy%20re.13%20motions%20for%20Subpoenas.pd).

Members. Republican leadership needs to allow the House to consider and vote on this legislation as it would dramatically improve the Postal Service's financial position and place it on a path towards financial viability.

The Postal Service's financial stability also would be improved through the issuance of the Postal Regulatory Commission's (PRC) rule on the ratemaking system. The PRC recently determined that the Postal Service's current system has not achieved the objectives of the 2006 Postal Accountability and Enhancement Act, including medium-term and long-term financial stability. It issued a proposed rule that would allow the Postal Service to raise rates on market-dominant products by no more that 3% above the inflation rate. Public comments on the proposed rule are due by March 1, 2018.

Census

The decennial census is a cornerstone of our democracy, providing the data necessary to apportion seats in the House of Representatives, allocate billions of dollars of federal funds, and inform the investment decisions of private sector entities. With the 2020 Decennial Census two years away, it is imperative that the Census Bureau have the funds necessary to ensure that the newly redesigned census is ready to produce a complete, fair, and accurate count of the population by its constitutionally-mandated deadline.

The President's proposed increase in funding for the Bureau in FY 2019 is insufficient, particularly given the chronic underfunding it has experienced in recent years. Historically, the Bureau's funding increased significantly in the years approaching the end of a decade to accommodate the necessary ramp up in operations, testing, and hiring for the decennial census. For example, the Bureau funding increased by 386% between years 6 and 9 of the 2000 Census cycle and by 417% between years 6 and 9 of the 2010 Census. However, under the Administration's proposed FY 2019 budget of $3.8 billion, the percentage increase from year 6 to year 9 would be only 199%.

The President's budget fails to fund adequately the Decennial Census account in particular. Last October, Secretary of Commerce Wilbur Ross testified before the Committee that the lifecycle cost for the 2020 Decennial had increased to $15.6 billion. This new estimate is $3.3 billion more than the Bureau's initial 2015 estimate, which seriously underestimated the challenges of the census redesign.[6] The President's FY 2019 budget would provide $3.231 billion for the 2020 Decennial in FY 2019—$221 million less than the $3.452 billion deemed necessary for FY 2019 by the Bureau's revised lifecycle cost estimate.[7]

Recent research from the Census Bureau shows that individuals are expressing an "unprecedented" level of concern over the confidentiality of data they provide to the

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[6] House Committee on Oversight & Government Reform, Testimony of Secretary Wilbur Ross, Department of Commerce, *Hearing on Hearing on the 2020 Census* (Oct. 12, 2017).

[7] Department of Commerce, Lifecycle Cost Estimate for the 2020 Decennial Census Program (Oct. 3 and 4, 2017) (online at: www2.census.gov/programs-surveys/decennial/2020/program-management/planning-docs/2020-cost-estimate1.pdf).

government.[8] This will likely make historically undercounted populations even more difficult to count and may necessitate additional outreach to ensure a complete count. Additional field resources are also likely to be necessary to ensure a complete count in areas impacted by recent natural disasters. Partnership and communications activities must be fully funded, and the Bureau should be appropriated contingency funds to address unexpected needs, as recommended by the Secretary.

Office of National Drug Control Policy

The Minority strongly supports efforts by the Office of National Drug Control Policy (ONDCP) to ensure that drug addiction is addressed as a public health issue and a public safety issue. Prevention and treatment are crucial tools that complement law enforcement interdiction efforts. Meaningful action to address drug control across all federal agencies must address both supply and demand.

The Minority believes that additional funding is needed to combat the opioid epidemic. However, the President's budget proposal would cut $1.4 trillion from Medicaid, cut $500 billion from Medicare, and make formulary changes to Medicare's prescription drug benefit. The Minority strongly opposes these proposals. These programs are among the most important sources of funding to treat addiction and other substance use disorders.

The Minority strongly opposes the President's proposal to move the High Intensity Drug Trafficking Areas (HIDTA) program from ONDCP to the Department of Justice and the proposal to move the Drug-Free Communities (DFC) program to the Department of Health and Human Services (HHS). These programs are successful in their present configuration within ONDCP. The HIDTA program brings together federal, state, and local law enforcement, public health, and other officials in a critical collaboration that reduces illicit drug trafficking and decreases substance use. The DFC program provides important grants directly to communities and has proved effective at reducing substance use among youth. Both programs would be severely weakened by the proposed moves out of ODNCP.

The Minority also strongly opposes the President's proposal to repeal the Affordable Care Act (ACA). The ACA requires coverage for substance use disorders and mental health treatment—requirements that need to be strengthened rather than weakened.

The Minority supports the proposed expansion of coverage of evidence-based Medication Assisted Treatment programs and coverage of methadone treatment. The Minority will continue to work towards increased access to Naloxone and a negotiated fixed price for this life-saving opioid overdose-reversal drug.

[8] Memorandum from Center for Survey Measurement to Associate Directorate for Research and Methodology re Respondent Confidentiality Concerns, Census Bureau (Sept. 20, 2017) (online at www2.census.gov/cac/nac/meetings/2017-11/Memo-Regarding-Respondent-Confidentiality-Concerns.pdf).

District of Columbia

The Minority supports funding for the D.C. Tuition Assistance Grant Program. Congress established this program on a bipartisan basis to equalize access for D.C. students to public institutions of higher education and stabilize and increase the District's tax base. This program continues to meet its purposes.

The Minority opposes funding for the federal private school voucher program in the District, which has not improved students' academic achievement.[9] Any federal funding for elementary and secondary schools in the District should be directed to D.C. Public Schools and D.C. public charter schools, which, unlike private schools, are accountable to the public and subject to all federal civil rights laws.

The Minority opposes restrictions on the District's use of its local funds and supports adequate federal funding for the Washington Metropolitan Area Transit Authority.

Federal Information Technology and Cybersecurity

Although the Minority supports the President's plan to increase cybersecurity and information technology funding governmentwide by nearly 5%, the Minority has significant concerns with the proposed cut of 18% from the National Institute of Standards and Technology (NIST). NIST sets the cybersecurity standards for every government agency and this massive reduction would jeopardize that mission.

The President's budget also would make significant cuts to cyber research and development, which risks putting the nation at a competitive disadvantage to other nations, including our adversaries, in the development of new technology. For example, the President's budget would completely defund several programs at the Department of Homeland Security's Office of Science and Technology, including its Experimental Research Testbed and Outreach.

The Minority supports funding for the Technology Modernization Fund to implement the Modernizing Government Technology Act and continued investment in non-defense research and development in order to spur innovation in both the public and private sectors.

National Archives and Records Administration

The Minority disagrees with the recommendation in the President's Budget to cut the funding of the National Archives and Records Administration (NARA) by $17 million from the level enacted by Congress in the FY 2018 Continuing Resolution. NARA is responsible for ensuring that presidential and federal records are preserved and accessible for future generations. The volume of electronic records has increased, and it is imperative that NARA have the

[9] Department of Education, Institute of Education Sciences, *Evaluation of the DC Opportunity Scholarship Program: Final Report* (June 2010) (online at www.ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf).

resources necessary to process those records and provide guidance to the White House and federal agencies on records retention and transparency.

National Historical Publications and Records Commission

The Minority strongly disagrees with the proposal in the President's Budget to eliminate the National Historical Publications and Records Commission Grants Program. The Commission awards competitive matching grants to help finance the nation's non-federal archives and for projects to edit and publish historical records of national importance. These grants make it possible for scholars and schoolchildren to have access to the papers of the Founding Fathers and national leaders like Abraham Lincoln and Dr. Martin Luther King, Jr. These grants supported the Freedmen and Southern Society project, a documentary history in the words of emancipated slaves of the transition from slavery to freedom in the southern United States. These grants also fund projects to improve electronic archiving. Eliminating this program would negatively affect archives and historical records programs across the country and could put our national history at risk.

Embassy Security and Construction

The Minority supports funding for embassy security and construction that reflects the importance of ensuring that more than 86,000 U.S. personnel working overseas have safe, secure, and modern facilities that appropriately represent American values abroad. The budget should enable the State Department to meet all physical security requirements, planned compound security upgrades, and maintenance and repair projects without delay. The Minority supports incorporating all improvements recommended by the Benghazi Accountability Review Board, including $2.2 billion to fund the State Department's portion of the Capital Security and Maintenance Cost Sharing Program. The Minority is concerned that the overall 29% proposed cut to the State Department and continued hiring freeze will have an adverse, long-term impact on U.S. diplomatic functions and national security.

Immigration Enforcement and Border Security

The Minority opposes proposed funding to construct a wall on the U.S.-Mexico border, which the president claimed repeatedly the U.S. taxpayers would not have to fund. The proposal is both a misguided and unnecessarily costly means to preserve the integrity of U.S. borders. The Minority will continue to work to ensure that DHS's immigration enforcement efforts focus on strengthening national security and public safety in a manner consistent with due process and fundamental American values.

The Minority has strong concerns about the funding increase included in the President's budget to hire thousands of additional officers and agents at U.S. Customs and Border Protection and Immigration and Customs Enforcement, given the Administration's targeting of refugees, those eligible for Deferred Action for Childhood Arrivals, and other undocumented immigrants with no criminal record. The Minority also is concerned about the Administration's request to increase substantially the number of private immigration detention centers. Human rights violations and lack of oversight at these facilities have been well-documented.

Environmental Protection Agency

The Minority has serious concerns regarding the President's proposal to severely cut the funding for the Environmental Protection Agency. These reductions would prevent the agency from conducting essential hiring and handicap its ability to fulfill its core mission. The elimination of programs such as the Climate Change Research and Partnership and the Indoor Air and Radon program raises serious concerns regarding the agency's dedication under this Administration to provide a healthy environment for all Americans.

Elijah E. Cummings
Ranking Member

LAMAR S. SMITH, Texas
CHAIRMAN

EDDIE BERNICE JOHNSON, Texas
RANKING MEMBER

Congress of the United States
House of Representatives

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY
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March 9, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Womack,

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, I am transmitting the Views and Estimates of the Committee on Science, Space, and Technology for Fiscal Year 2019. The Views of the Minority Members of the Committee are also attached.

Sincerely,

Lamar Smith
Chairman

Enclosure

Cc: The Honorable John Yarmuth, Ranking Member, Committee on the Budget
The Honorable Eddie Bernice Johnson, Ranking Member, Committee on Science, Space, and Technology

THE VIEWS AND ESTIMATES
OF THE
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY
U.S. HOUSE OF REPRESENTATIVES
FOR FISCAL YEAR 2019

In 2017, the House Committee on Science, Space, and Technology enacted five authorizations into law: the "American Innovation and Competitiveness Act," for the activities of the National Science Foundation, the National Institute of Standards and Technology, the White House Office of Science and Technology Policy and other federal interagency science programs (P.L. 114-389), the "NASA Transition Authorization Act of 2017" (P.L. 115-10); the "Weather Research and Forecasting Innovation Act of 2017" and the "Tsunami Warning, Education, and Research Act of 2017" (P.L. 115- 25); and the "U.S. Fire Administration, AFG, and SAFER Program Reauthorization Act of 2017" (P.L. 115-98).

Already in the 115th Congress, the House Science Committee has passed H.R. 589, the Department of Energy Research and Innovation Act, and H.R. 4675 to authorize the activities of the DOE Office of Science, its National Labs and technology transfer efforts, and nuclear energy R&D capabilities; and H.R. 4376, H.R. 4377, and H.R. 4378 to authorize the construction and upgrades of large DOE basic research facilities infrastructure. These five bills are pending Senate action.

The Committee will continue to oversee and implement a legislative agenda with a focus on open and transparent taxpayer-supported science, basic research in the national interest, and mission-supporting technology development. It is this core focus, coupled with recent successfully enacted tax and regulatory reform, which is providing robust entrepreneurial economic growth, the creation of millions of good-paying, skilled private sector jobs, faster technological innovation, higher productivity gains, and enhanced international competitiveness and security.

The Committee on Science, Space, and Technology oversees agency budgets totaling over $42 billion, most of which are focused on research and development (R&D). Reauthorizations of the science agencies under the Committee's jurisdiction will allow the Committee to rebalance priorities and ensure that our nation's science agencies are on a trajectory to keep America at the forefront of scientific knowledge and discovery. To maintain our competitive advantage, we must continue to support the fundamental R&D that enables private sector innovation in the creation and design of next generation technology.

The Committee seeks to increase support for basic research in the physical sciences. These are the areas with the greatest potential for scientific breakthroughs that will benefit new industries and U.S.

jobs. America's universities and research institutions carry out federally-funded basic and fundamental scientific research that drives new discoveries and innovations - creating new companies, new industries, more private sector jobs, and economic growth and security.

During the second session of the 115th Congress, the Committee will review the authorizations of agencies and programs within its jurisdiction and, specifically with regard to lapsed authorizations, determine which programs should be reauthorized. Each subcommittee is conducting oversight of the programs and offices within its jurisdiction, including holding hearings and requesting information from the Executive Branch in order to support these determinations.

The Committee expects to reauthorize key federal science agencies, including the National Aeronautics and Space Administration (NASA), the Department of Energy's (DOE's) Office of Science, the National Science Foundation (NSF), the National Institute of Standards and Technology (NIST), the National Oceanic and Atmospheric Administration's research, data, and weather programs, scienee and technology at the Department of Homeland Security, and research and development components within the Federal Aviation Administration, through which much of the research benefitting America's economic and national security is performed. The Committee will reauthorize these agencies in a pro-science, fiscally responsible manner.

National Aeronautics and Space Administration (NASA)

- With President Trump's enactment of P.L. 115-10, the NASA Transition Authorization Act of 2017, the Committee has reignited America's pioneering spirit for exploration of new frontiers and worlds through reinvigoration of our space science program with the entrepreneurial drive of commercial incentives and ideas.
- The Committee will push for full implementation of the policy provisions in P.L. 115-10, as well as for at least maintaining the Fiscal Year 2018 funding level established in this month's omnibus appropriations bill.
- Maintain the overall level of investment in NASA by reducing NASA Earth Science funding and reallocating the resulting savings to Planetary Science, Astrophysics, and Heliophysics.
- Ensure that the Space Launch System and Orion programs receive adequate funding to launch Exploration Mission 1 and Exploration Mission 2 on schedule.
- Fully fund the commercial cargo and crew programs and support commercial low earth orbit and lunar payload development.

National Science Foundation (NSF)

- The Committee will authorize NSF Research account funding at the Directorate level with 70% of the research funding allocated to the Mathematical and Physical Sciences Directorate, the Computer and Information Science and Engineering Directorate, the Biological Sciences Directorate, and the Engineering Directorate.

- The Committee will ensure that federally funded research conducted through NSF, and all agencies, is in the national interest. Throughout its history, the NSF has played an integral part in funding breakthrough discoveries in fields as diverse as mathematics, physics, chemistry, computer science, engineering and biology. A defined "national interest" requirement and criteria, enacted last year as part of the American Innovation and Competitiveness Act (P.L. 114-329), will go a long way towards ensuring the grant-making process at NSF is transparent and accountable to the American public.
- Last Congress, the president signed into law H.R. 1020, the "STEM Education Act of 2015." The Committee will build off this progress and continue its work to improve coordination of science, technology, engineering, mathematics, and cyber (STEM) education activities across the Federal government and ensure the American workforce consists of experts in STEM fields. Unfortunately, America lags behind many other nations when it comes to STEM education. American students rank 19th in science and 31st in math out of 35 developed countries. A well-educated and trained high-tech workforce ensures our future economic prosperity. This means motivating more American students to study science, math, computing, and engineering so they will want to pursue these careers. To this end, the Science Committee has recently passed through the full House H.R. 3397, the Building Blocks of STEM Act, H.R. 4254, Women in Aerospace Education Act, H.R. 4323, Supporting Veterans in STEM Careers Act, and H.R. 4375, the STEM Research and Education Effectiveness and Transparency Act.

National Institute of Standards and Technology (NIST)

- The Committee will increase core lab funding for the transition of and to make available generic technology to innovative use in the NIST Scientific and Technical Research and Services account and for major lab renovations in the NIST Facilities account.
- The Committee will ensure that NIST remains a global leader in cybersecurity knowledge, scientific standards-setting, and research and analysis of federal agencies' cyber security readiness. We must take advantage of NIST's unique capabilities to both develop cybersecurity standards and guidelines, which NIST does now, and go further and help agency Inspectors General evaluate and assess the extent of federal agencies' compliance with them under the Federal Information Security Management Act.

Department of Energy (DOE)

- The Committee seeks to prioritize basic research and science at the DOE National Labs consistent with H.R. 589, the Department of Energy Research and Innovation Act, which has already passed the House this Congress. The Committee seeks to enable researchers in all 50 states to have access to world-class user facilities, including supercomputers and high intensity light sources. Government subsidies that pick winners and losers diminish competition and rarely benefit the American taxpayer. A better role for the government is to support investments in basic scientific research in our universities and national labs.

- In addition to sustaining DOE's Office of Science account funding level in Function 250, as with NSF Directorate-level funding, DOE Science funding should be allocated by basic research program. The Committee will seek to prioritize Basic Energy Sciences, Advanced Scientific Computing Research, High Energy Physics, Nuclear Physics, and Fusion Energy Sciences offset by reducing Biological and Environmental Research.
- Reduce Energy Efficiency and Renewable Energy R&D and ARPA-E funding in Function 270.
- The Committee seeks to authorize nuclear R&D activities at DOE in accordance with House-passed H.R. 589 and H.R. 4378, the Nuclear Energy Research Infrastructure Act of 2017. The Committee's nuclear R&D policies harness and combine the strengths of the National Labs, universities, and the private sector in a National Reactor Innovation Center. H.R. 4378 authorizes construction of a Versatile Neutron Source user facility via funding allocated from within the DOE Office of Nuclear Energy. Advanced nuclear reactor technology provides a great opportunity to make reliable, emission-free electricity available throughout the industrial and developing world.

National Oceanic and Atmospheric Association (NOAA)

- Fund priority public safety NOAA Weather Research in the Office of Oceanic and Atmospheric Research at the $131.5 million authorized in P.L. 115-25, the Weather Research and Forecasting Innovation Act of 2017, in Function 300. Saving lives and protecting property must be NOAA's primary mission.
- Provide $6 million for the NOAA Commercial Weather Data Pilot project out of existing funding in the NOAA Procurement, Acquisition, and Construction account as authorized in P.L. 115-25.
- Improve weather observation data through the required use of observing system simulation experiments and next generation computing and modeling capabilities consistent with P.L. 115-25. This new law provides NOAA with the flexibility to buy new, affordable, and potentially better sources of data from the private sector that have the power to make real improvements to our weather forecasting capabilities and creates a much-needed new $20 million technology transfer initiative in NOAA's Office of Oceanic and Atmospheric Research.
- Hundreds of millions of dollars in savings are available by reducing NOAA climate change programs and big, government satellite system costs.

Federal Aviation Administration (FAA)

- The Committee has provided a separate FAA Research, Engineering, and Development account reauthorization title as part of the FAA authorization legislation pending House consideration. FAA R&D of $174 million in FY 2019 is authorized but rebalanced to prioritize the funding of aviation safety through the periodic testing and evaluation, verification and validation, and sustainment of the FAA's full spectrum of aviation systems. The FAA R&D title also supports FAA certification of new technologies, particularly unmanned aerial systems (UAS), into the national airspace system (NAS).

- FAA's Office of Commercial Space Transportation should be adequately funded at $21.6 million to license and permit commercial launch or reentry activities without delay. The Office should focus and prioritize its resources in order to execute these statutory responsibilities.

Department of Transportation Surface Transportation Research & Development

- In December 2015, President Obama signed into law a five-year highway bill as P.L. 114-94. Among its provisions, the law authorizes funding for two technology deployment programs that cost $80 million annually to be paid partially from highway research programs that are authorized at $225 million a year. This will result in a one-third cut to highway R&D, effectively slashing future innovation in exchange for current infrastructure implementation. While not opposing technology deployment, doing so at the expense of R&D funds, without which there will be less transformational technology to deploy, is ill advised.

Environmental Protection Agency (EPA) Science

- EPA funding should be made contingent on the EPA Administrator requiring that all scientific and technical information and data relied on to support a risk, exposure, or hazard assessment; criteria document; standard; limitation; regulation; regulatory impact analysis; or guidance issued by the EPA is made publicly available. This requirement is fully consistent with and would enforce House-passed H.R. 1430, Chairman Smith's Honest and Open New EPA Science Treatment (HONEST) Act.

Department of Homeland Security Science and Technology (DHS S&T)

- R&D plays a critical role in supporting DHS' mission but the DHS S&T Directorate needs to be reorganized and reformed to better and more quickly support DHS component efforts to detect, prevent, mitigate, respond to, and recover from terrorist attacks. The DHS Domestic Nuclear Detection Office combines R&D with acquisition and deployment in effectively carrying out its mission to address nuclear terrorism. That model deserves serious consideration regarding chemical, biological, explosives, cybersecurity, border security, and lone wolf threats.

U.S. Global Change Research Program (USGCRP)

- The USGCRP is an interagency accounting of $2.8 billion of federal spending on climate change research. Involving NASA, NSF, NOAA, NIST, DOE, EPA, and even USDA and the Department of Interior's U.S. Geological Survey, much is duplicative and poorly defined based on the Science Committee's oversight of these agencies under its jurisdiction. Given this fiscal irresponsibility, any funding that is part of the USGCRP should only be available contingent on a finding by the administration that it is not duplicative or wasteful based on a government-wide review of climate change research.

LAMAR S. SMITH, Texas
CHAIRMAN

EDDIE BERNICE JOHNSON, Texas
RANKING MEMBER

Congress of the United States
House of Representatives

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March 9, 2018

The Honorable Steve Womack
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U.S. House of Representatives
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Washington, DC 20515

The Honorable John Yarmuth
Ranking Member
Committee on the Budget
U.S. House of Representatives
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Chairman Womack and Ranking Member Yarmuth:

Please find enclosed the Minority Views and Estimates of the Committee on Science, Space, and Technology on the FY 2019 Budget Request. Thank you for your consideration.

Sincerely,

Eddie Bernice Johnson
Ranking Member
Committee on Science, Space, and Technology

Minority Views and Estimates of the Democratic Caucus of the Committee on Science, Space, and Technology on the FY 2019 Budget Request for Submission to the Budget Committee

The President's Fiscal Year (FY) 2019 budget request, while less damaging than his FY 2018 request, continues the trend of making ill-considered funding cuts and underinvesting in the research and development that is critical to the future prosperity, national security, and well-being of the nation. We will not attempt to engage in a detailed discussion of recommended funding levels for specific programs in these V&E, but we urge the Budget Committee, as it works to craft its Budget Resolution to reject the deep cuts to civilian R&D and science and technology programs proposed in the President's FY 2019 budget request and to attempt to provide at least inflationary growth for those programs. We need to invest in our research agencies, NASA, NOAA, NSF, EPA, DOE, and others that help enhance America's economic strength, address our national priorities, advance knowledge, and inspire our youth.

Below are a few key priorities that we wanted to highlight. We hope they will be supported in the Budget Resolution presented to the House of Representatives.

Clean Energy Technologies

DOE funds a wide range of research, development, demonstration and commercial application activities. As we noted last year, given the President's promises to revitalize American infrastructure, we believe strong investments across DOE's energy R&D activities should be a top priority. Instead, the Trump Administration is proposing to cut the Department of Energy's science and technology programs by 22% overall, which would significantly harm the development of new clean energy technologies and do lasting damage to the U.S. research enterprise. These proposed cuts include the *complete elimination* of ARPA-E and the Loan Programs Office (LPO). ARPA-E and LPO have strong records of success to justify not only their existence, but increased investments (in the case of ARPA-E) and increased leveraging of current statutory loan and loan guarantee authorities (in the case of LPO) going forward.

DOE's other energy technology offices would all receive significant cuts from FY 2017 funding levels. Of these, the Office of Energy Efficiency and Renewable Energy (EERE) would receive the largest cut of 66% (or $1.3 billion). EERE's primary mission is to "create and sustain American leadership in the transition to a global clean energy economy." EERE makes crucial investments in energy efficiency; sustainable transportation; energy storage; solar energy; and wind energy, among other areas. Slashing EERE's funding – especially to this degree – is shortsighted and will hurt the global competitiveness of the United States.

The funding cuts for the other energy technology offices are also harmful. Fossil Energy R&D would be cut by 25% (or $166 million), Electricity Delivery and Energy Reliability would be cut by 32% (or $73 million), and Nuclear Energy would be cut by 26% (or $259 million).

The Trump Administration would flat fund the Office of Science compared to FY 2017 funding levels. The Office of Science is responsible for carrying out some of the most important science and energy research programs in the country. Without consistent, strong investments, the world-class user facilities and national laboratories stewarded by the Office will experience setbacks in facility construction, operations, and critical upgrades. Major industrial users, university researchers, and international collaborations that all depend on these facilities would be impacted by these cuts. Within the Office of Science, the Biological and Environmental Research program, which includes the bulk of DOE's climate science research, would be cut by $112 million or 18%, Fusion Energy Sciences would receive a $40 million cut or 10.5%, and High Energy Physics would receive a $55 million cut or 6.7%. The ITER international fusion energy project would receive $75 million, a $25 million increase over FY 2017 funding levels, but below the U.S. commitment to the ITER project. Basic Energy Sciences and Nuclear Physics would receive relatively flat funding in this budget request, while the Advanced Scientific Computing Research program would receive $252 million of additional funding, a 39% increase, an increase we support.

Overall, we would urge that these proposed cuts not be reflected in the Budget Resolution.

Strong Environmental Protection Agency

History has shown the value of preserving a strong EPA, an agency committed to protecting public health and the environment. As noted in last year's V&E, while significant progress has been made over the past 40 years, we must now build upon that legacy and ensure that we continue to improve the quality of our environment while fostering a strong economy. In the U.S., a healthy environment and strong economy are not mutually exclusive. Stricter pollution limits help push the envelope of scientific innovation and create new technologies. And, as it has been proven many times over, improved worker productivity, increased agricultural yields, reductions in mortality and illness, and other economic and public health benefits far outweigh the costs of compliance. We should be investing more in EPA, not less.

Unfortunately, the President's budget for FY 2019 for the Environmental Protection Agency requests $6.1 billion, which is a $2.1 billion or a 25.6% decrease from the FY 2017 actual funding levels. Similar to the FY 2018 budget request, the FY 2019 request is comprised of deep cuts to the many programs across the Agency, especially within the Agency's Office of Research and Development (ORD). Proposed funding levels for EPA's Science and Technology programs for FY 2019 are $449 million which is $274.6 million or 38% less than the FY 2017 actual funding levels. Proposed funding for ORD is $262.7 million which is a reduction of $237.7 million or 47.5% below the FY 2017 actual funding levels.

One of the Agency's goals from its FY 2018 - FY 2022 Strategic Plan has an objective to "Prioritize Robust Science" by strengthening alignment of its research to support EPA programs and working closely with key state level partners. However, almost all programs within the Science and Technology account have proposed cuts, with over half of those budget reductions coming from cuts to ORD. Research and development activities at the agency would focus on intramural research activities directly related to statutory requirements, or that support basic or early stage R&D, and would eliminate funding for extramural research activities.

The former Climate Protection Program, which supports the Greenhouse Gas Reporting Program, was renamed the "Atmospheric Protection Program" in the FY 2019 request and all funding for it was eliminated in the Science and Technology Appropriation for FY 2019. Similar to the FY 2018 request, all climate change research within ORD has been proposed to be eliminated, as well as the Agency's extramural Science to Achieve Results (STAR) Research Grants throughout ORD's national research programs.

We would urge the Budget Committee to reject the proposed funding cuts to EPA when it crafts its Budget Resolution.

Climate Change Research

Each month the scientific evidence on climate change grows and it is confirming what the majority of climate scientists have been saying for some time. The Earth is warming, and Americans everywhere are dealing with the consequences of this new climate reality. Our coastal communities are watching the sea inch closer to their doorsteps. Families in the Southwest are facing increasingly severe drought and wildfire conditions. Extreme weather events such as heavy precipitation are becoming more frequent across the nation, and 2017 and early 2018 have given ample evidence of the increase in such extreme events. Climate change may be the defining scientific and policy challenge facing humanity, and we have a responsibility to the nation and the world to lead. We must invest in—not cut back on—the scientific research at NASA, NOAA, and our other agencies that will increase our understanding of the problem and provide for solutions and resist efforts to cut funding for this area of research.

Civil Space and Aeronautics

The National Aeronautics and Space Administration (NASA) has long been recognized as the world leader in aeronautics and space research and exploration. We support robust funding that will allow NASA to maintain a balanced and healthy portfolio of programs in aeronautics, Earth and space science, technology development, and human spaceflight and exploration, as well as allowing investments in the infrastructure that will be required if NASA is to carry out the tasks our nation has given it.

It is also imperative that funding for the next generation of NOAA's weather satellites be maintained to ensure that those satellite programs remain on track for successful development and launch.

With respect to NASA, the President is requesting $19.892 billion for NASA for FY 2019, a $239 million (1.2%) increase over the level of funding appropriated for NASA in the FY 2017 Consolidated Appropriations Act and $20 million over the level for NASA included in the appropriation passed by the House for FY 2018. As part of its FY 2019 budget request, the Administration is proposing to refocus the agency on exploration, specifically exploration of the Moon. To that end, the proposed FY 2019 budget identifies an aggregate of $10.5 billion (about 53% of the total NASA budget request) for the Exploration campaign.

Unfortunately, in its attempt to show its support for lunar exploration under a topline budget for NASA that is assumed to remain flat in the outyears, it has wound up cannibalizing other important NASA activities to fund Exploration. To that point, it should be noted that when NASA's acting CFO gave a public briefing on the President's budget request, he said that the proposed cancellation of WFIRST [the National Academies' highest-rated new Astrophysics mission], five Earth science missions, and the closure of NASA's Education office are because the money is needed for exploration. "We are trying to show some growth in the exploration activities of the Agency in the out-years and those dollars are provided by [taking them from] actives like education and WFIRST and the earth science activities." As the proposed lunar exploration programs become better defined and new resource requirements are identified to support specific exploration activities, there is a significant risk that the non-exploration parts of NASA's budget will be further squeezed. We would urge the Budget Committee to advocate for NASA funding that does not require the cannibalization of NASA's important non-exploration activities.

National Oceanic and Atmospheric Association (NOAA)

The President's FY 2019 budget request for the National Oceanic and Atmospheric Administration is $4.5 billion, a $1 billion cut from the FY 2017 actuals. Multiple climate, ocean, and atmospheric programs will see significant reductions in funding, and even more programs are targeted for total elimination. Specifically, the budget proposes to reduce funding for surface and marine observations, reduce funding for the tsunami warning program, reduce investments in numerical weather prediction models, reduce investments in the National Water Model, and reduce funding for ocean exploration activities, along with other programs. In addition, the budget proposes to eliminate, or terminate, climate competitive research; the National Sea Grant college program; coastal zone management grants; the Joint Technology Transfer Initiative; arctic research programs; the Air Resources Laboratory; the Big Earth data initiative; aviation science research to operations; and the NOAA Office of Education, along with many other programs.

Most individual program offices under the Committee's jurisdiction are proposed to receive draconian cuts compared to the FY 2017 actual:

- National Ocean Service - $440 million, a decrease of $114 million.
- Office of Oceanic and Atmospheric Research - $322 million, a decrease of $189 million.
- National Weather Service - $1 billion, a decrease of $77 million.
- National Environmental Satellite, Data and Information Service - $1.6 billion, a decrease of $538 million.

We would urge the Budget Committee to reject including such ill-advised cuts in its Budget Resolution.

National Science Foundation (NSF)

The FY 2019 request for the National Science Foundation is $7.472 billion, equal to the FY 2017 funding level. Initially NSF was to be cut by $2.2 billion. That full $2.2 billion was "restored" in the addendum after Congress passed the budget deal. Overall, the Research & Related Activities (R&RA) Directorate would receive a $145 million or 2% increase to $6.15 billion. The Education Directorate would be flat funded at $873 million. The Major Research Equipment and Facilities Construction (MREFC) Account, which funds construction of the large telescopes, research vessels, etc., would be cut by $120 million or 56 %.

To fully realize the potential benefits of NSF's programs, the nation should be investing more in the research sponsored by NSF, not pursuing a budget of stagnation.

National Institutes of Standards and Technology (NIST)

The FY 2019 request for NIST is $890 million, a decrease of $64 million or 7% from the FY 2017 enacted level. However, due to a large increase of $193 million (179%) for building renovation activities at the Gaithersburg and Boulder campuses, this relatively small overall decrease masks significant funding decreases to NIST's core mission areas. Scientific and Technical Research Services - NIST's core measurement research and standards account – would be cut by $117 million, or 17%. There are cuts across the board, but some areas receive much smaller or no cuts, including cybersecurity, resilience of physical infrastructure, and NIST's exploratory measurement science account. Smart grid and other Internet of Things technologies are cut significantly, as are advanced communications technologies and advanced manufacturing. Forensics research is slashed, including elimination of funding for the Forensic Science Center of Excellence awarded in 2015, as well as for the Organization of Scientific Area Committees which lead the forensic standards development process. The Administration is proposing once again to terminate support for three university-based testbeds under the Greenhouse Gas Measurements program, as well as for several other environmental measurements projects across NIST laboratories, including work measuring the impact of aerosols on pollution and climate change, and gas reference materials used by industry to reduce costs of complying with regulations. Support for NIST's two major user facilities, the Center for Neutron Research and the NanoFab, is also cut by 24%.

The Industrial Technology Services Account, which includes the Manufacturing Extension Partnership (MEP) program, and the National Network for Manufacturing Innovation, also known as Manufacturing USA, is cut by $137 million or 90%. This includes a complete elimination of the MEP program.

NIST is one of the most quietly effective of the federal R&D agencies and is worthy of additional support in the Budget Resolution to roll back those cuts.

Department of Homeland Security (DHS)

Science and Technology Directorate

As can be seen in the discussion that follows, even the S&T activities of the Department of Homeland Security have been subjected to significant funding cuts. The President's budget request proposes $583.3 million for the DHS Science and Technology (S&T) Directorate, a nearly $200 million decrease from the FY 2017 enacted level. S&T comprises two accounts: Operations and Support (O&S); and Research and Development (R&D). $40 million of the decrease would come from reductions in O&S including funding for mission support, laboratory facilities, and acquisitions and operations analysis.

The remaining proposed $160 million decrease would come from reductions or eliminations in the Research, Development and Innovation (RDI) programs, projects, and activities and university programs. The proposal reduces funding to airport screening detection technologies; chemical, biological, and explosives R&D; and first responder and disaster resilience R&D. The request would slash funding for university grant programs by half to $21.7 million and reduce the number of centers of excellence from seven to five.

We urge the Budget Committee to maintain healthy funding levels for the S&T Directorate in the Budget Resolution.

Federal Aviation Administration (FAA)

The budget request for FY 2019 for FAA research, engineering, and development is about $74.4 million, a reduction of $102.1 million (a cut of about 58%) from the $176.5 million appropriated for FY 2017. There has been no convincing rationale offered for such deep cuts, at a time when the nation's aviation system faces growing challenges, and they should be rejected by the Budget Committee as it crafts its Budget resolution.

Minority Views of the Democratic Caucus of the Committee on Science, Space, and Technology on the FY 2019 Budget Request

Minority Views of the Democratic Caucus of the Committee on Science, Space, and Technology on the FY 2019 Budget Request

Eddie Bernice Johnson	Zoe Lofgren
Daniel W. Lipinski	Suzanne Bonamici
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RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
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February 14, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
United States House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Womack:

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, 2 U.S.C. § 632(d), I am transmitting the "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2019." Dissenting views will be transmitted separately by Members of the Committee.

The Committee approved, with a quorum being present, the Views and Estimates contained herein on February 14, 2018 by voice vote.

Should you or your staff have further questions regarding this document, please contact Jan Oliver, Deputy Staff Director and Chief Counsel for the Committee, at 202.225.5821.

Sincerely,

Steve Chabot
Chairman

Enclosure

Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2019

Pursuant to clause 4(f) of Rule X of the Rules of the House and § 301(d) of the Congressional Budget Act of 1974, 2 U.S.C. § 632(d), the Committee on Small Business is transmitting herein: (1) the views and estimates on the priorities within its jurisdiction or functions to be set forth in the concurrent resolution on the budget.

The United States Small Business Administration (SBA) has responsibility for programs that help create jobs and grow the economy of the United States. Entrepreneurs continue to depend heavily on these programs not only to provide capital, but also advising, mentoring and training. SBA tools have helped companies such as Nike, Chobani, FedEx, Ben and Jerry's, Apple, Under Armour and Outback Steakhouse, grow from small businesses to the large businesses they are today. It is essential that SBA programs are efficient, effective and achieve real results for small businesses and America's taxpayers. Entrepreneurs and taxpayers deserve nothing less.

The Committee reiterates its ongoing concerns about SBA-created initiatives. Many of these efforts have not been reviewed, approved or sanctioned by this Committee and often duplicate longstanding small business outreach efforts funded through SBA's annual appropriation. In addition, often these SBA-created initiatives have not been adequately assessed by SBA prior to or after their implementation. In the Committee's view, this funding could be eliminated without hindering outreach to small businesses, and the funds saved could be reallocated to technology improvements, hiring appropriate SBA employees to assist small businesses gain their fair share of federal government contracts, or implementing the priorities that Congress has mandated for SBA.

The Committee believes SBA and its programs can operate more efficiently and effectively with this reassignment and reallocation of existing resources. The SBA's financing programs operate with zero subsidy and minimal administrative cost, and any program reform legislation would not have a significant budgetary impact.

I. Introduction -- SBA Mission and Management

Since America's founding, it has relied on small businesses to shape and grow the economy. Our nation's economic policies have been tailored to assist small firms. The numbers are telling: according to the SBA, the 29 million small businesses in America account for 54% of all U.S. sales. Small businesses provide 55% of all jobs and 62% of all net new jobs from 1993 to 2016. The number of small businesses in the United States has increased 49% since 1982, and since 1990, as other businesses have eliminated jobs, small businesses have added 8 million new jobs.

As a result, more small businesses than ever are counting on the SBA and its programs to deliver assistance with access to capital, counseling, and other services.

The SBA was created in 1953 by President Eisenhower to replace the Small Defense Plants Administration[1] and the Reconstruction Finance Corporation.[2] According to the Small Business Act, 15 U.S.C. §§ 631-57s, the SBA's mission is to "aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns...."[3] The SBA meets its statutory mission through three major components: 1) assisting small businesses in obtaining needed capital; 2) helping small businesses to navigate the federal procurement marketplace; and 3) offering managerial counseling and assistance to small businesses. Each component is carried out through Congressionally-mandated programs, sometimes in conjunction with private sector partners. Specifically, the SBA provides loans and loan guarantees to credit-worthy small businesses; entrepreneurial counseling and technical assistance; and disaster services to disaster survivors. The majority of these services are delivered, either by SBA or one of its partner organizations, through SBA's district offices throughout the United States.

In January of 2016, the Committee received testimony from the Government Accountability Office (GAO) regarding GAO's comprehensive assessment of SBA's overall management, which was undertaken at the Committee's request.[4] In its audit, GAO found many long standing SBA management deficiencies, including deficits in strategic planning, human capital organizational structure and information technology. GAO recommended a number of specific steps to SBA, such as increased training, procedural guidance, strategic and workforce planning and oversight of information technology investments. Although GAO noted that SBA had "generally agreed" with its recommendations, over the years SBA "had made limited progress" in implementing most of them. As of January of 2017, 55 of GAO's recommendations made in prior years had not been implemented.[5]

At a hearing before the Committee on April 6, 2017, the newly confirmed SBA Administrator, Linda McMahon, testified that her priorities would be to revitalize the SBA; deliver SBA services efficiently and effectively; and ensure that SBA is offering the services that small businesses need. The Committee is pleased that Administrator McMahon has traveled across the United States and its territories to meet with SBA personnel and small business owners and hear about their ideas, successes, challenges and needs. She said she is committed to increasing access to capital, creating jobs and empowering small businesses.

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[1] The Small Defense Plants Administration was created during the Korean War to help maintain a robust small business industrial base for providing goods to the United States military services. United States Small Business Administration (SBA), https://www.sba.gov/about-sba/what-we-do/history.
[2] The Reconstruction Finance Corporation began in 1932 as a federal lender to businesses. United States Small Business Administration (SBA), https://www.sba.gov/about-sba/what-we-do/history.
[3] 15 U.S.C. § 631(a).
[4] UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE (GAO), LEADERSHIP ATTENTION NEEDED TO OVERCOME MANAGEMENT CHALLENGES (GAO-15-347) (2015) (hereinafter "GAO SBA Management Report").
[5] As of January 2017, 30 of GAO's recommendations from reports before the GAO's 2015-2016 comprehensive management review were still open, 8 recommendations from the management review were still open, and 17 recommendations from other recent reports are open, for a total of 55 open recommendations. GAO Auditor conversation with House Committee on Small Business staff, Jan. 24, 2017.

On October 12, 2017, SBA's Office of the Inspector General (IG) released a report outlining SBA's most significant challenges.[6] The report cited weaknesses in small business contracting programs and inaccurate procurement data;[7] technology capabilities;[8] human capital,[9] and risk management and oversight practices.[10] The report also noted that SBA needs to improve its loan programs to reduce improper payments and that disaster assistance should balance competing priorities to deliver timely assistance. Finally, the report found that SBA must more effectively manage its own acquisition program to ensure the agency obtains quality goods and services.[11] The Committee trusts that the agency will make progress in addressing its challenges in Fiscal Year 2019.

SBA released its draft FY 2018-2022 Strategic Plan on October 30, 2017.[12] The plan, which SBA called the principal document within the agency's comprehensive management framework, summarizes the strategies that SBA intends to use to accomplish its four strategic goals.[13] The goals are: 1) increase the number of loans by 5% to small businesses in socially and economically disadvantaged areas; 2) maximize the percent of federal contracts set aside for small businesses; 3) increase the number of unique 8(a) small business contracts awarded; and 4) increase the average number of disaster loan applications processed from three to six applications per loan specialist.[14] The Committee will closely follow SBA's efforts to accomplish its goals during the upcoming five year period.

II. Capital Access Programs

When testifying before the Committee, small business owners consistently cite the lack of available capital as a significant problem. Although the economy has improved, small firms still do not have access to readily available capital to grow and create jobs. SBA administers four major capital financing programs: the 7(a) Guaranteed Loan; the Certified Development Company Loan Program; the Small Business Investment Company (SBIC) Program; and the Microloan Program. In these programs, SBA does not lend funds directly to small businesses, but through government guarantees, SBA works with private-sector and non-profit partners and intermediaries on the repayment of issuance of credit and equity. The SBA must operate its capital access programs within the Federal Credit Reform Act, 2 U.S.C. §661-661f (FCRA).

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[6] SBA, OFFICE OF INSPECTOR GENERAL, REPORT ON THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE SMALL BUSINESS ADMINISTRATION (Oct. 12, 2017), *available at* https://www.sba.gov/sites/default/files/oig/SBA_OIG_Report_18-01.pdf?utm_medium=email&utm_source=govdeliver.
[7] *Id.* at 1.
[8] *Id.* at 4.
[9] *Id.* at 6.
[10] *Id.* at 8.
[11] *Id.* at 21.
[12] SBA, DRAFT STRATEGIC PLAN FOR FY2018-2022 (Oct. 30, 2017), *available at* https://www.sba.gov/sites/default/files/aboutsbaarticle/ready_4_508_Draft_SBA_FY_2018_2022_Strategic_Plan_Oct_30_2017_WCAG2_2.pdf. SBA requested public comment on the plan until November 30, 2017. https://regulations.justia.com/regulations/fedreg/2017/10/31/2017-23678.html.
[13] *Id.* at 6.
[14] *Id.* SBA stated that the goals were developed through the Administrator and in consultation with the Office of Management and Budget and SBA's committees in Congress. *Id.*

Under FCRA, the budget records the federal government's estimated long-term cost (its subsidy cost) in the year the direct loan or loan guarantee is made. Agencies generally update these subsidy costs annually to reflect loan performance. To thc extent that the President's budget states the need for appropriations to cover the cost of loan programs, the Committee believes that the budget resolution should provide sufficient funds to do so.

Many of the SBA's programs are designed to operate without a federal government subsidy. However, if SBA does require a subsidy to operate these programs, the rationale has been that because small businesses create much needed jobs, it would be counterproductive to increase the cost of making loans to them. In 2015, SBA's 7(a) Program experienced unprecedented demand and reached its $18.75 billion authorized loan limit. Unfortunately, SBA did not inform Congress until the lending ceiling was reached, and lending was temporarily delayed until Congress took emergency action. In legislation to raise the lending level to $23.5 billion, Congress required SBA to regularly report on loan levels so in the future, emergency action will not be needed. The Committee will continue to monitor the authorized lending limit.

In addition to multiple Congressional hearings and Congressional inquiries, the SBA Inspector General in recent years identified SBA's failure to provide effective lender oversight as one of the most serious issues facing the agency. It is critical for SBA to improve its oversight of its lending program participants and ensure that it can provide proper oversight of the capital access programs so that the underlying policy goals are met. Because so many small businesses rely on the 7(a) Program in particular, the Committee plans to continue its robust oversight this year. In addition, after months of hearings and meetings with key stakeholders, on January 9, 2018, Chairman Steve Chabot and Ranking Member Nydia Velázquez introduced H.R. 4743, the Small Business Lending Oversight Reform Act of 2018. The legislation was informed by a series of hearings the Committee held on the 7(a) Program over several years. Most recently, on March 9, 2017, the Subcommittee on Investigations, Oversight, and Regulations held a hearing which provided an overview of the SBA 7(a) Loan Program; on May 17, 2017, the full Committee held a hearing that encompassed a detailed review of the 7(a) Program; and on January 17, 2018, the full Committee held a legislative hearing on H.R. 4743. H.R. 4743 was referred to the Committee, and the Committee plans to consider the bill later in 2018.

In the past, the Committee has noted that appropriate lender oversight requires a robust technology system. In 2017, the Committee held an oversight hearing with the SBA's new chief technology officer to examine the agency's plan to modernize its technology infrastructure and technology workforce. The Committee expects to continue its oversight of these functions to ensure that SBA can provide the data needed to measure the efficacy of its programs, protect it from cyber attacks, and meet the goals of the Small Business Act.

Beyond the four main capital access programs, the SBA is the primary provider of disaster assistance to small businesses and homeowners after a disaster. Congress permanently authorized the SBA to transfer unused disaster loan funds for the administration of the disaster loan program. When funding levels exceed the amount requested by an agency due to serious and extensive disaster events, emergency funding would be needed to support disaster lending. As a result of numerous disaster events last year, including major Hurricanes Harvey, Irma and

Maria, emergency supplemental appropriations were authorized to deliver assistance. The Committee will continue to monitor SBA's disaster lending efforts.

III. Entrepreneurial Development Programs

A significant portion of SBA's budget is allocated to providing technical assistance and outreach to small businesses. This is carried out through a number of programs that SBA operates at the express direction of Congress. The major SBA entrepreneurial development counseling programs authorized by Congress are: the Small Business Development Center (SBDC) Program, the SCORE Program, and the Women's Business Center (WBC) Program.

Over time, the SBA has also created, using its general authority to "aid small businesses," initiatives that duplicate the services of programs that Congress has specifically directed the SBA to implement. In recent years, these SBA-created initiatives have comprised a significant portion of SBA's entrepreneurial development budget and believes no such funds should be allocated to these often duplicative efforts in FY 2019. In addition, to the extent that these SBA-created programs impose new outreach duties on SBA's Congressionally-mandated entrepreneurial development programs, the Committee suggests that SBA reprogram funds from SBA's general salaries and expenses account to cover incurred costs. SBA's programmatic duplication has been exacerbated by its failure to measure the effectiveness of its programs.[15] This has been particularly true in the area of entrepreneurial development programs in which SBA offers technical assistance to small business owners. In fact, §18 of the Small Business Act expressly prohibits duplication of effort by SBA if a program is already offered by another federal agency unless Congress expressly authorizes the duplication. The Committee will continue to work with SBA to ensure priority is given to Congressionally-mandated initiatives.

The SBDC Program is operated through cooperative agreements with either state agencies or institutions of higher education. Most state agency grantees subcontract operations to institutions of higher education in that state. The grantees have established over 1,000 service centers that provide technical assistance to small businesses for business strategy; technology transfer; government procurement; engineering; and accounting. The SBDC Program is an important and time tested program on which small businesses depend. The Committee has stated in the past that it believes the SBA undervalues the SBDC Program, and the Committee has supported a small increase of funding to be reallocated from SBA-created initiatives to the SBDC Program.

The SCORE Program provides face-to-face counseling by over 300 chapters with more than 11,000 SCORE volunteers. SCORE volunteers provide a full range of business consultation services, such as business plan development; strategic marketing; and financing ideas. SBA's SCORE database enables small businesses to find SCORE volunteers that best match the needs of the business. As with the SBDC Program, should SBA-created initiatives place additional

[15] In its most recent comprehensive report on SBA management, GAO noted that SBA lacked effective metrics to assess the quality of its programs. GAO SBA Management Report, *supra* note 4, at 39. It is important to note that metrics are an essential component of the strategic planning requirements set forth in the Government Performance and Results Act. Pub. L. No. 103-62, 107 Stat. 285 (1993) (codified, as amended, at 3 U.S.C. § 305, 31 U.S.C. §§ 1105(a), 1115-19, 9703-04, and 39 U.S.C. §§ 2801-05).

burdens on SCORE volunteers, the Committee recommends that SBA reprogram funds from SBA's general salaries and expenses account to cover these services.

Women's Business Centers (WBC or Centers) provide training, counseling, and mentoring to women entrepreneurs. WBCs are public/private partnerships in which the federal government provides funds that are matched by private donors. There are currently over 100 Centers across the country. Many WBCs seek to provide their clients with flexible training opportunities, offering courses at night or on weekends and often in more than one language. The Committee believes that WBCs could further increase their impact by locating in areas not already served by SBDCs and tailoring their training to women. Again, this goal could be achieved through reprogramming funds and focus from SBA-created initiatives to the WBC program.

The Committee will continue to work with Congressional appropriators to ensure that priority is given to statutory mandates rather than optional initiatives that SBA has created on its own and without Congressional authorization.

IV. Cyber Security Programs for Small Businesses

Small businesses are increasingly victims of cyber attacks, and improving cyber security for small businesses has been a priority for the Committee over the last two Congresses. In 2016, the House passed H.R. 5064, the Improving Small Business Cyber Security Act, bipartisan legislation introduced by Chairman Steve Chabot and Ranking Member Nydia Velázquez. In the 115th Congress, the Committee held cyber security hearings on March 8, 2017, July 26, 2017 and November 15, 2017. On December 18, 2017, Chairman Steve Chabot and Ranking Member Nydia Velázquez introduced H.R. 4668, the Small Business Advanced Cybersecurity Enhancements Act, bipartisan legislation to provide for the establishment of enhanced cybersecurity assistance and protections for small businesses. H.R. 4668 was referred to the Committee, and the Committee plans to consider the bill later in 2018.

V. Federal Procurement Programs

To assist small businesses that want to contract with the federal government, Congress created a number of programs designed to increase their contracting opportunities. Traditionally, SBA has broken out the funds for these programs in its budget; instead, the funds are subsumed in SBA's general salaries and expenses accounts.

The Committee has long been concerned that SBA has failed to implement regulatory changes necessitated by Congress that would enhance the participation of small businesses in the marketplace, and has failed to devote sufficient funds to the hiring and retention of personnel that is vital to maximizing the participation of small businesses in federal contracting programs.

The Historically Underutilized Business Zone (HUBZone) Program was designed to direct federal contracts to small businesses in distressed areas and promote the economic development of those businesses. Federal contracting officers are permitted to set aside contracts for limited competition among HUBZone eligible small businesses, sole source or use bid preferences when

HUBZone small businesses and large businesses are in competition. HUBZones are distressed urban and rural areas with chronically high unemployment, low household income, or both. Numerous investigations over several years by the Government Accountability Office (GAO) found weaknesses and vulnerabilities in the Program, including inadequate vetting of participants, fraudulent awards, and falsified documents and employee information.[16]

At the Committee's hearing on the HUBZone Program in March, 2017, GAO testified that SBA was slow to take action on its recommendations, and although the agency has made improvements, it still faces significant challenges with certification and reporting, making the program vulnerable to fraud and abuse.[17] SBA's Office of the Inspector General (OIG) identified weaknesses in small business contracting programs and inaccurate procurement data as a top management challenge.[18] Those weaknesses and inaccuracies, the SBA IG testified, undermine the reliability of contracting goal achievement reporting to Congress.[19] Other witnesses testified that because it has been more than fifteen years since changes have been made to the Program, it should be modernized to reach its potential.[20]

The Committee has worked to strengthen the program. Ranking Member Velázquez and Chairman Chabot introduced H.R. 3294, the HUBZone Unification and Business Stability Act of 2017, to remedy weaknesses in the existing law and strengthen its provisions. H.R. 3294 was included in the Fiscal Year 2018 National Defense Authorization Act with minor changes. The Committee expects to work with SBA to implement the requisite changes and further improve the program.

Vitally important to procurement and SBA as a whole is the successful implementation of information technology (IT). In fact, over the years, SBA has had challenges in implementing information technology, and has struggled to fulfill one of the SBA Office of the Chief Information Officer's (OCIO) most important duties, effective oversight of the agency's technology investments and IT security. Government watchdogs have issued numerous reports detailing the SBA's failure to prioritize IT and outlining the OCIO's many flaws and failures.[21] In addition, the SBA has experienced high turnover at the position of OCIO; SBA is on its eighth

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[16] *See* UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE (GAO), HUBZONE PROGRAM: FRAUD AND ABUSE IDENTIFIED IN FOUR METROPOLITAN AREAS (GAO-9-440) (2009); GAO, SMALL BUSINESS ADMINISTRATION: UNDERCOVER TESTS SHOW HUBZONE PROGRAM REMAINS VULNERABLE TO FRAUD AND ABUSE (GAO-10-759) (2010); GAO, HUBZONE PROGRAM: ACTIONS TAKEN ON FEBRUARY 2015 GAO RECOMMENDATIONS (GAO-16-423R) (2016); and HUBZONE PROGRAM: OPPORTUNITIES EXIST TO FURTHER IMPROVE OVERSIGHT (GAO-16-866T) (2016).

[17] *Learning from History: Ideas to Strengthen the HUBZone Program: Hearing Before the House Comm. on Small Business*, 115th Cong. (2017) (statement of William Shear, Director of Financial Markets and Community Investment, GAO).

[18] *Learning from History: Ideas to Strengthen the HUBZone Program: Hearing Before the House Comm. on Small Business*, 115th Cong. (2017) (statement of Hannibal "Mike" Ware, Acting Inspector General, SBA).

[19] *Id.*

[20] *Learning from History: Ideas to Strengthen the HUBZone Program: Hearing Before the House Comm. on Small Business*, 115th Cong. (2017) (statement of Shirley Bailey, Co-owner, EVP and COO at GCC Technologies LLC and Board Chair, HUBZone Contractors National Council).

[21] See GAO Management Report, *supra* note 4 at 39; Small Business Administration Inspector General (SBA IG), WEAKNESSES IDENTIFIED DURING THE FY 2014 FEDERAL INFORMATION SECURITY MANAGEMENT ACT REVIEW (Evaluation Report 15-07) (2015); and SBA IG, WEAKNESSES IDENTIFIED DURING THE FY 2016 FEDERAL INFORMATION SECURITY MODERNIZATION ACT REVIEW (Report No. 17-14) (2017).

CIO since 2005.[22] On July 12, 2017, the Committee held a hearing to examine the Office and receive testimony from its newly-appointed chief, Maria Roat. At the hearing, the Committee heard that Ms. Roat is making progress in her work to improve the OCIO and strengthen its leadership.[23]

Committee Members have continued to explore the effect of changes in federal agency construction contracts with small businesses. On May 25, 2017, the Subcommittee on Contracting and Workforce and Subcommittee on Investigations, Oversight, and Regulations held a joint hearing to probe this issue and discuss possible solutions to alleviate the financial burden on small businesses caused by agency delays in approving payment of change orders. The Committee will continue to collaborate with other House Committees on this issue and potential legislation.

VI. Regulatory Reform and Paperwork Reduction

Under Rule X, Cl. 1(q) of the Rules of the House,[24] the Committee's legislative jurisdiction includes the protection of small businesses related to regulatory flexibility. This Rule recognizes that federal regulations may pose significant challenges for small businesses, which have less revenue and a smaller employee base over which regulatory and paperwork compliance costs can be spread.

America's entrepreneurs believe regulations are necessary, and they want to comply, but they cannot do so if the regulations are crafted in a way that makes it impossible for them to do so. Recognition that small businesses are disproportionately burdened by one-size-fits-all regulations and underrepresented in the federal rulemaking process encouraged Congress to enact the Regulatory Flexibility Act (RFA)[25] in 1980. The RFA requires federal agencies to assess the economic impacts of regulations and to consider alternatives to reduce burdens on small businesses. The RFA has been amended twice, in 1996 and 2010, to improve agency compliance with the statute's analytical requirements. Those amendments made marginal changes, but agency compliance has remained inconsistent.

The Committee has been at the forefront of efforts to strengthen the RFA so that the nation's regulatory process will work better for entrepreneurs. Chairman Chabot drafted H.R. 33, the Small Business Regulatory Flexibility Improvements Act, to remedy weaknesses in the existing law and strengthen its provisions. H.R. 33 was included as Title III of H.R. 5, the Regulatory Accountability Act, which has passed the House. The Committee expects that no additional funds will be needed to implement the Act because federal agencies already engage in the type of outreach and analysis that is required by the legislation.

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[22] Memorandum from Committee on Small Business staff to Committee Members on Hearing: Help or Hindrance? A Review of SBA's Office of Chief Information Officer (July 12, 2017), *available at* https://smallbusiness.house.gov/uploadedfiles/7-12-17_ocio_hearing_memo.pdf.

[23] *Help or Hindrance? A Review of SBA's Office of Chief Information Officer, Hearing Before the House Comm. on Small Business*, 115th Cong. (2017) (statement of Maria Roat, Chief Information Officer, SBA).

[24] Rules of the United States House of Representatives, 115th Congress (2017), *available at* https://rules.house.gov/sites/republicans.rules.house.gov/files/115/PDF/House-Rules-115.pdf.

[25] 5 U.S.C. §§ 601-612.

Federal paperwork can also pose a substantial burden on small businesses. The amount and complexity of information collection requests can be daunting, and minor mistakes can often result in significant fines. While the federal government needs accurate information on the economy and activities of small firms, small businesses have fewer resources to absorb the paperwork burden. In addition, time spent on paperwork diverts resources from growing the business, creating jobs, and benefiting the economy as a whole.

Recognition of these challenges led Congress to enact the Paperwork Reduction Act (PRA)[26] in 1980. The PRA was revised in 1986 and 1995, and in 2002, the Small Business Paperwork Relief Act (SBPRA)[27] was enacted. Despite those efforts, the paperwork burden for small businesses continues to grow. The Committee held two hearings on the Paperwork Reduction Act, on March 29, 2017 and October 11, 2017, to evaluate the Paperwork Reduction Act and learn how paperwork burdens on small firms may be reduced.[28]

VII. Conclusion

The Committee will continue to work with SBA and Congressional appropriators to ensure that small business owners receive the services that they need to start and grow their businesses. For much of its history, the United States has formulated policies that focused on the facilitation of economic growth. As a result, most new jobs created in the United States have been generated by small businesses and about 50 percent of America works for small businesses. The Committee will do all in its power to help small businesses to compete in the ever-expanding global economy.

[26] 44 U.S.C. §§ 3501-3521.
[27] 5 U.S.C. § 601.
[28] *Evaluating the Paperwork Reduction Act: Are Burdens Being Reduced? Hearing Before the House Comm. On Small Business*, 115th Cong. (Mar. 29, 2017) and *Evaluating the Paperwork Reduction Act Part II: Are Burdens Being Reduced? Hearing Before the House Comm. On Small Business*, 115th Cong. (Oct. 11, 2017).

STEVE CHABOT, OHIO
CHAIRMAN

NYDIA M. VELAZQUEZ, NEW YORK
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
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February 14, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member
Committee on the Budget
U.S. House of Representatives
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Womack and Ranking Member Yarmuth:

I am writing to advise you of the programs and priorities of the Committee on Small Business with regard to the fiscal year (FY) 2019 budget for the Small Business Administration (SBA). These views are in addition to those that will be submitted by the Committee's majority.

With respect,

Nydia M. Velázquez
Ranking Member

Minority Views

The following represent the views of the Democratic members of the Committee on the following issues

February 14, 2018

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am writing to advise you of the additional views and estimates of the Committee on Small Business with regard to the fiscal year (FY) 2019 budget. These views and estimates are in addition to those that will be submitted by the Committee's majority. While we concur in several areas, there are some areas of disagreement, which are discussed in greater detail below.

The Committee on Small Business has legislative jurisdiction over the Small Business Administration (SBA) and this letter accordingly focuses on the FY 2019 budget request for this agency and the program it operates under the authorizations contained in the Small Business Act (15 U.S.C. 631 et seq.) and the Small Business Investment Act (15 U.S.C. 661 et seq.).

ACCESS TO CAPITAL

SBA administers an array of financing programs that are intended to bridge the gap in the conventional markets that small businesses encounter in trying to secure access to affordable capital. Through the SBA 7(a) and 504/CDC programs, entrepreneurs are provided with greater access to capital through the extension of federal guarantees on long-term loans. The 7(m) microloan program provides loans and technical assistance to traditionally underserved borrowers, including women, minorities, and veterans. Finally, the Small Business Investment Company (SBIC) program leverages public and private capital to assist small high-growth firms.

SBA 7(a) Program

General

SBA's flagship lending program, the 7(a) Program, provides small businesses with comprehensive financial assistance including working capital, fixed and intangible asset financing, as well as refinance and export support through term and revolving loans. During FY 2017, the 7(a) program supported record lending nationally, more than $25.4 billion across over 62,400 loans. This is an increase in the dollar amount but a decrease in number of loans from the previous year. **The Committee recommends the FY2019 authorization level for the 7(a) program be set at a level that takes into account natural growth in the program, but no less than $29 billion, as was requested for FY 2018.**

SBA Oversight

In its annual reports, the SBA OIG has repeatedly pointed to lender oversight and loan agent fraud as management challenges that the agency has faced.[1] Relatedly, questions have been raised about

[1]According to the SBA OIG, with limited resources, SBA's Office of Credit Risk Management manages credit risk for a nearly $120 billion loan portfolio originated by over 2,400 active lenders and Certified Development

whether the loans being made are reaching the small business borrowers the program is intended to serve, and whether participating lenders are taking on appropriate levels of risk.

The Committee recognized that some of the challenges presented may be best addressed through legislation. As such, Chairman Steve Chabot and Ranking Member Nydia Velázquez introduced H.R. 4743, the *Small Business 7(a) Lending Oversight Reform Act of 2018*. The primary goals of the Act are to strengthen the ability of the SBA to conduct lender oversight, increase transparency of the oversight process, and to provide Congress with regular updates of SBA's oversight actions and the performance of its portfolio. **The Committee recommends SBA continue to work with Members and staff in FY2019 to address and correct identified deficiencies in the oversight functions of the Agency.**

Cap Flexibility

Although lending remained under the $27.5 billion authorization cap set by Congress in FY 2017, SBA has run out of authority to make loans twice recently.[2] Furthermore, SBA has underestimated the level of 7(a) lending for at least the last seven years.[3] For example, actual lending volume exceeded SBA's estimates by 30 percent in FY 2014, 56 percent in FY 2015, and 15 percent in FT 2016.

The *Small Business 7(a) Lending Oversight Reform Act of 2018* establishes a notification-and-approval process by which SBA can request an increase of the 7(a) lending cap (up to 15%), subject to approval by the appropriations and authorizing committees to provide stability and certainty to borrowers and lenders when demand for 7(a) financing exceeds the program level. **The Committee expects SBA to closely monitor loan volume and provide Congress with regular reports, but also recommends the Agency have flexibility authority to address unanticipated small business borrower demand for loans.**

7(a) Secondary Market Re-estimate and Changes to SBA Procedure

The 7(a) secondary market program allows lenders participating in the 7(a) loan program to sell the guaranteed portion of their loans on to investors. Similar to the process of packaging and securitizing mortgages, SBA works with financial institutions known as "assemblers" to package SBA loans into a "pool" that is sold off fractionally to investors in shares known as Pool Certificates. Holders of pool certificates are entitled to receive a proportionate share of the principal and interest payments made by the borrowers of the underlying loans.

To ensure timely payment of pool payments to holders of certificates, SBA established the Master Reserve Fund (MRF) and contracted with Colson Services Corp. to act as Fiscal and Transfer Agent (FTA) to collect and disburse payments in and out of the MRF.

In FY 2018, SBA indicated the secondary market guarantee program required a $511 million upward reestimate to cover deficiencies in the MRF dating back to FY 2004. At the same time, SBA issued a notice in the Federal Register making a change to how the pass through of principal

Companies that have various degrees of expertise regarding SBA loan program requirements. *See* SBA OIG, Report on the Most Serious Management and Performance Challenges in Fiscal Year 2017.

[2] SBA required and additional $1 billion FY 2014 and more than $4 billion FY 2015.

[3] *See* SBA FY2018 Congressional Budget Justification, table 1.1d.

payments in the MRF would be made. Both the upward reestimate and the procedural changes have raised concerns in Congress about SBA's oversight of the secondary market guarantee program. **Therefore, the Committee recommends additional Congressional oversight and investigation during FY18, and FY19 if necessary, into the events that led to the reestimate, the reasons why over 12 years elapsed before the underlying causes were identified, and what effect, if any, the policy changes made by SBA in October 2017 will have on the secondary market guarantee program.**

Access to Capital in Underserved Markets

SBA 7(a) lending in underserved communities, including to minority and women-owned businesses must be improved. In FY 2017, 27 percent of 7(a) loans went to minorities, and only 18 percent to women-owned firms.[4] While the overall number of loans has increased, the percentage going to minority and women-owned firms has remained fairly consistent since 2010, and is lower than before or during the recession (2006-2009). Women-owned business used to account for about 40 percent of 7(a) lending activity while the average loan size going to a woman-owned business is roughly 30 percent *less* than SBA loans going to businesses owned by men. Similarly, minority owned firms used to receive 35 percent of all 7(a) loans. **The Committee recommends SBA improve outreach to borrowers and lenders in underserved communities and funds should be made available to the agency to boost access to capital for these firms.**

7(m) Microloan Program

The SBA Microloan Program provides loans to intermediaries, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. The intermediaries in turn help the smallest of small businesses and startups access capital to help new businesses get off the ground. The program plays a critical role in the small business economy, providing credit to those unable to secure traditional bank-based financing. In FY 2017, SBA approved 3,038 loans totaling $42 million - a 30 percent decline in both approvals and dollar amount. **Due to the success of the program in traditionally underserved communities, the Committee recommends funding be made available to operate the program at or above its peak FY 2016 level.**

504/CDC loan Program

The 504/CDC program provides permanent, fixed rate financing for businesses to acquire industrial or commercial buildings or heavy equipment and machinery. The program is delivered by local Certified Development Companies (CDCs) working in partnership with private lenders and the SBA. During FY 2017, the program grew nearly 6 percent with $5.013 billion in loans approved. In FY 2016, FY 2017, and FY 2018 SBA requested no subsidy appropriation. **Regardless of fluctuations in the overall economy, the Committee recommends SBA administer the program such that it remains zero-subsidy in FY 2019, with any fee increases being borne by CDCs and lenders participating in the program.**

Small Business Investment Company Program

[4] A woman-owned firm is defined as a one that is more than 50 percent female-owned.

The Small Business Investment Company (SBIC) Program is an investment program that increases access to capital for high-growth start-up businesses. Specifically, with a $4 billion authorization per year, the SBIC program provides long-term loans and equity capital to small businesses with potential for substantial job growth and economic impact. SBICs are privately owned and managed investment funds, licensed and regulated by SBA, that use their own capital plus funds borrowed with an SBA guarantee to make equity and debt investments in qualifying small businesses. SBA provides funding to qualified investment management firms with expertise in certain industries. Over the past five years, the program has channeled over $21 billion of capital to more than 6,400 small businesses in a variety of sectors across the country. In 2017 the program provided $5.7 billion in financing to 1,077 small businesses, however only 11 percent of those companies were women, minority, or veteran owned. **Therefore, the Committee recommends SBA prioritize expanding outreach to increase minority-led and women-led funds, and to increase the number of women, minority, and veteran owned businesses that benefit from the program.**

Disaster Assistance Program

Overview

The SBA's Disaster Assistance program was implemented for the purpose of providing timely financial assistance in the form of low interest loans and working capital for businesses and homeowners devastated by a disaster. During late FY 2017 and early FY 2018, the SBA Office of Disaster Assistance responded to numerous major disasters across the country, including the aftermath of hurricanes Harvey, Irma, and Maria. As of January 29, 2018, SBA has processed more than 278,885 homeowner and business applications and approved 99,415 loans for more than $5.507 billion for these storms.

SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. **In light of the critical need for funding to help home-owners and small businesses following devastating natural disasters, the Committee supports appropriating amounts necessary to support the SBA's disaster loan-making functions. In addition to any funds appropriated for disaster assistance, the Committee hopes to approve H.R. 2448, the Puerto Rico Small Business Assistance Act of 2017, which advances entrepreneurship in Puerto Rico on a number of fronts, including enhanced SBA lending and entrepreneurial development investments.**

Unimplemented Congressional Mandates

In 2008, in response to the federal government's handling of Hurricane Katrina, Congress enacted the Small Business Disaster Response and Loan Improvements Act of 2008, designed to reform SBA's disaster program. The law created new disaster loan programs to provide more timely assistance to homeowners and businesses impacted by natural disasters including the Immediate Disaster Assistance (IDA) program, and the Private Disaster Loan (PDL) program.

However, after nearly nine years, SBA has yet to authorize lending under the IDA and PDL programs. **In FY 2019, the Committee expects SBA to have these programs implemented or have requested the assistance of Congress to make legislative changes needed for implementation. Additionally, to the extent necessary, SBA should continue implementation**

of the provisions of Public Law No: 114-88, the RISE After Disaster Act of 2015, which provide additional improvements to the Disaster Assistance program.

Disaster Authority

Although the SBA Disaster Loan program continues making loans during a short-term continuing resolution, SBA may require additional appropriations to make such loans in the form of a funding anomaly. In the absence of securing an anomaly, SBA may exhaust its disaster subsidy, which has not occurred since 1988. As of the writing of this letter, SBA has indicated it would likely cease disaster lending after the second week of February 2018. The continued ability of SBA to make disaster loans available to victims in disaster areas is of utmost importance to the Committee. Concerns have been raised that SBA could meet similar circumstances in the future. **Therefore, the Committee recommends sustained coordination between the Committee, appropriators, and the agency during FY 2018, and FY 2019 if necessary to ensure adequate disaster funding is in place, particularly during continuing resolutions.**

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

SBA's entrepreneurial development programs provide the foundation for the agency's small business development efforts. In the past, the SBA has repeatedly funded unproven pilot programs that lack a specific authorization at the expense of proven core programs. As a result of Committee oversight and GAO investigations, there are concerns that these initiatives are not in the best interest of taxpayers or small businesses. Concerns that have been raised repeatedly include a lack of demonstrated need and the absence of robust controls. In addition, given the deficiency of performance data SBA should establish metrics for its pilot programs to understand if these initiatives are successful or not. More importantly, the agency should focus on strengthening its existing network of entrepreneurial development service providers, rather than continuing to establish and operate untested and unproven initiatives.

Each year, more than one million entrepreneurs come through SBA's resource partner network of small business development centers (SBDC), women's business centers (WBC), SCORE chapters, and veterans business outreach centers.[5] Business advisors provide valuable advice and mentoring for every stage of business growth and development. These providers deliver vital services to small businesses and, as more entrepreneurs seek their counseling, SBA should ensure that these partners, specifically those highlighted below, are provided sufficient funding to serve small businesses.

Women's Business Centers

The WBC program provides grants to nearly 100 non-profit organizations that provide quality advising and training services primarily to women entrepreneurs, many of whom are socially and

[5] Small business development centers provide technical assistance to small businesses and aspiring entrepreneurs. Women's business centers assist women in starting and growing small businesses. The SCORE Association is a nonprofit association comprised of over 13,000 volunteer business counselors located in 348 chapters throughout the U.S. and its territories. SCORE members are trained to serve as counselors, advisors, and mentors to aspiring entrepreneurs and business owners. Veteran business outreach centers provide entrepreneurial development services for eligible veterans.

economically disadvantaged. Participating organizations must match the federal funding with one non-federal dollar for every two federal dollars during the first two years and on a one-to-one basis thereafter. In FY 2015, the WBC program reached more than 140,000 small business owners and helped more than 760 entrepreneurs start businesses. For FY 2017, the SBA received $18 million for WBCs with the goals of advising and train more than 147,000 clients, helping 711,000of them open new businesses. Last year WBC opened six new centers in order to cover more areas of the country and are in the initial stages of the grant and building clientele to leverage this expansion. Furthermore, the SBA conducted a survey of WBC clientele to cover both advising and training to better understand the value and impact of WBC program services. **The Committee recommends raising the authorization and the cap to expand the reach of the program and to increase opportunities for women-owned small businesses.**

Small Business Development Centers

The SBDC program provides SBA grants to small business development centers and leverages a unique mix of federal, state, and private sector financial resources. This funding model enables SBDCs across the country to foster the economic growth of small businesses that generates business revenue, creates and retains jobs, and enhances local and regional economies. SBDCs deliver management.and technical assistance to small businesses through an extensive business education network comprised of 63 lead centers managing more than 900 outreach locations throughout the country. SBDCs deliver professional business advising and training focused on strategic planning, business development, financial planning, and cash flow management to hundreds of thousands of business clients annually. In FY 2016, SBDC professional business advisors helped clients start more than 14,000 new businesses; provided training and advising to more than 450,000 entrepreneurs including 69,000 long-term clients; helped clients obtain $5 billion in capital for their businesses; and helped clients secure $1 billion in federal government contracts.

Despite these efforts, there have been concerns that SBA has undervalued the SBDC program. As such, in past years the Committee has supported an increase in funding to be reallocated from SBA-created initiatives to the SBDC program and the minority expects to lead legislation in the 115th Congress to improve the program.

GOVERNMENT CONTRACTING PROGRAMS

The primary purpose of the SBA's Government Contracting and Business Development programs is to assist small businesses increase their access to the federal marketplace. Through federal contracts, small businesses are able to increase their capabilities and capacity thereby improving their competiveness. However, the creation of these programs has not expanded the number of contracts awarded each year. Rather, many agencies are awarding fewer contracts worth higher values. Thus, while some agencies and the government have been able to meet their small business goals, the participation of small firms has declined. This trend coupled with a system that has become complex and countless management problems continues to raise concern as to whether the SBA is effectively and efficiently advocating for small businesses in the marketplace.

Procurement Staffing Levels

Currently, there are less than sixty Procurement Center Representatives (PCRs) responsible for overseeing over $500 billion in federal contracting. However, the shortage of personnel is not limited to PCRs. To date, there are approximately 27 Commercial Market Representatives assisting small businesses with subcontracting opportunities. Similarly, staffing for the Service-Disabled Veteran-Owned Small Business Program, one of the set-asides discussed below, has decreased. The lack of resources available to review contracting actions has prevented small businesses from receiving the maximum practicable opportunities available to them and as a result fewer of these firms have been able to participate in the marketplace. **Therefore, the Committee recommends funding be made available to increase the overall number of small business advocates.**

Small Business Set-Aside Programs

Government contracts can be set-aside for classes of small businesses, such as socially and economically disadvantaged firms, whose members might not otherwise be considered for award in full and open competition. There are government-wide statutory contracting goals for small businesses as well as sub-goals for small business categories.[6] SBA has several set-aside programs including the 8(a) Business Development, Historically Underutilized Business Zone (HUBZone), Service-Disabled Veteran-Owned, and the Women-Owned Small Business (WOSB) programs designed to promote small business participation in federal contracting. Given that the SBA OIG has identified small business contracting as a serious management challenge since FY 2005, SBA should have adequate resources to improve these programs.

8(a) Business Development Program

The 8(a) program was created to provide business development assistant to eligible small disadvantaged businesses seeking to participate in federal contracting. A major benefit of the program is that 8(a) firms can receive sole source, as well as set-aside competitive federal contracts so that small businesses do not need to compete with large businesses that may have an industry advantage. However, the number of participants has continually declined from about 7,000 in 2010 to about 4,900 as of August 2016, and this trend has been seen in the number of new applications to the program as well. Conversely, the number of businesses that have sought assistance through the 7(j) program, which supports 8(a) firms, has continually increased and in FY 2015, there were 5,360 small businesses that received support through this program. In FY 2016 8(a) firms received 90,789 contracts worth $16.99 billion. If the number of businesses seeking assistance continues to grow at a similar rate or higher, small firms may see a reduction in the amount of funds spent per business.

SBA must begin to plan for higher numbers of firms to ensure the current level of service continues. As a result, the Committee recommends funding for the 8(a) and 7(j) programs

[6] The federal government has the following statutory goals for small business procurement: 23 percent of prime contracts for small businesses; 5 percent of prime and subcontracts for women-owned small businesses; 5 percent of prime and subcontracts for small disadvantaged businesses; 3 percent of prime and subcontracts for service-disabled veteran-owned small businesses; and 3 percent of prime and subcontracts for HUBZone-certified small businesses. These goals are tracked based on the dollar amount of contracts awarded. A business may qualify for more than one socioeconomic category.

be increased to accommodate not only the rise of businesses seeking technical assistance but to escalate the levels of outreach to reverse the decline of program participants.

HUBZone Program

The HUBZone program aids urban and rural small businesses that are located in designated distressed areas in accessing federal procurement opportunities. There have been many reports detailing fraud and abuse that has resulted from lack of eligibility verification by SBA of program participants. While the required information was requested to support the applications, SBA failed to verify that the firms had legitimate principle places of business in HUBZones. While the administration has made efforts to combat fraud by increasing site visits and reviewing firms that had previously been certified under the new review guidelines, doubts still remain as to whether enough has been done to ensure that only eligible firms receive contracting dollars from this program.

In addition, SBA has yet to provide metrics that would show whether or not the program is meeting its mission of increasing employment opportunities and stimulating capital investment in designated HUBZones. Furthermore, although the HUBZone program continues to recruit new small businesses, over the years, the program has not met its target contracting goal, with only 1.67 percent of contracts awarded to HUBZones in FY 2016.

Therefore, the Committee recommends SBA formulate metrics so that Congress can determine what reforms are necessary to make this program useful for small businesses. Considering the challenges that SBA has faced in carrying out this program, the Committee suggests SBA focus more oversight in how resources for the program are spent.

Women-Owned Small Business Contracting Program

An issue of great importance to women-owned businesses is their lack of access to federal contracting. After taking more than ten years to implement the Women-Owned Small Business (WOSB) Federal Contracting program, SBA continues to devote few resources to the program. As a result, few contracts have been awarded using the program with 480,714 contract actions worth $19.7 billion awarded in FY 2016. Congress has made several changes over the past two years to the program including: the removal of caps on award size for set-aside contracts; allowing contracting officers to award contracts through a sole-source contract; the removal of self-certification to participate in the program; and reiterating the original mandate that SBA create its own certification process.

While SBA has implemented the cap removal and sole-source changes, they have been slow to remove self-certification from the program and implement their own certification process. The SBA OIG and GAO have both reported weaknesses in SBA's controls that would ensure only eligible firms receive the woman-owned small business set-aside. **Thus, the Committee recommends SBA dedicate funding to this program to maintain its integrity as well as participants.**

Service-Disabled Veteran-Owned Small Business Program

The Service-Disabled Veteran-Owned Small Business (SDVOSB) Program provides procuring agencies with the authority to set aside contracts for exclusive competition among eligible participants as well as the authority to make sole source awards. **Although the goals for SDVOSB contracting have been met in recent years, the program faces many challenges that the Committee recommends SBA address, including the need for adequate staffing levels and providing contracting education for participating firms.**

CONCLUSION

The Committee has provided priorities for how the SBA should operate in FY 2019. SBA should put the appropriate level of resources to its programs and should focus its efforts on increasing outreach and access to both capital and contracting opportunities for traditionally underserved communities, including minority- and women-owned businesses. The agency should also be provided with the resources necessary to administer and oversee its core lending, entrepreneurial development, and contracting programs. In addition, the Committee remains concerned with SBA's reliance on pilot programs that have not been objectively evaluated and divert scarce funding from proven, congressionally authorized programs. Going forward, the SBA should recommit itself to its proven programs, rather than diverting funds on untested programs. Doing so would help ensure that taxpayer dollars are being well spent, while small businesses have the resources that they need to grow and expand. Thank you for your consideration of our views on this important matter.

With respect,

Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
Chairman

Washington, DC 20515

Peter A. DeFazio
Ranking Member

Mathew M. Sturges, Staff Director

Katherine W. Dedrick, Democratic Staff Director

February 14, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
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Washington, DC 20515

Dear Chairman Womack:

As required by section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of Rule X of the Rules of the House, the Committee on Transportation and Infrastructure transmits its views and estimates for the fiscal year (FY) 2019 Budget Resolution. On Wednesday, February 14, 2018, the Committee on Transportation and Infrastructure met in open session and adopted the enclosed FY 2019 Budget Views and Estimates by voice vote with a quorum present.

Thank you for the opportunity to present these views and estimates. Should you or your staff have any questions, please contact Clare Doherty, Director of Budget and Program Analysis for the Committee at (202) 225-9446.

Sincerely,

Bill Shuster
Chairman

Enclosure

cc: The Honorable John Yarmuth, Ranking Member, Committee on the Budget
The Honorable Peter DeFazio, Ranking Member, Committee on Transportation and Infrastructure

VIEWS AND ESTIMATES
OF THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
FOR FISCAL YEAR 2019

Overview:

Under current law and House rules, standing committees are required to submit to the Committee on the Budget views and estimates. The Budget Act sets April 15, 2018, as the date for the completion of the congressional budget resolution. To assist the Committee on the Budget with meeting this deadline, we submit the views and estimates of the Committee on Transportation and Infrastructure.

The Committee believes that a strong infrastructure means a strong America – an America that competes globally, supports local and regional economic development, and creates jobs. Through properly targeted investment, we can build a 21st century infrastructure for America, ensure the safe and efficient movement of people and goods, and increase economic growth. In the 115th Congress, the Committee continues to focus on improving federal programs through commonsense reforms and strengthening our Nation's infrastructure for the challenges of today and tomorrow.

The detailed views and estimates presented below requests that the reauthorization of the Federal Aviation Administration (FAA) and the Water Resources Development Act (WRDA) be reflected in the budget resolution. In addition, the Committee requests a deficit neutral reserve fund for infrastructure. This views and estimates also identifies priorities within the Committee's jurisdiction.

This fiscal year, the Committee will continue to perform oversight on programs within our jurisdiction as well as focus on authorizing numerous key programs. The Committee's legislative priorities this year include enacting an infrastructure investment bill; reauthorizing the FAA, the United States Coast Guard, the Federal Maritime Commission (FMC), the Federal Emergency Management Agency (FEMA) and the John F. Kennedy Center for the Performing Arts; reforming the General Services Administration (GSA), and measures to improve economic development programs. In addition, the Committee intends to enact a Water Resources Development Act.

Transportation and the Economy:

As a people, we Americans are bound together by our values and dedication to liberty, but we are physically bound together by our infrastructure. Our transportation networks provide a strong backbone that facilitates economic growth, ensures global competitiveness, and supports national security. Providing the Nation with this platform has long been recognized as a federal responsibility that is shared with states and local governments. From the Transcontinental Railroad to the Panama Canal to the Interstate Highway System and more, Congress has played a critical role in ensuring the connectedness of the Nation and supporting the needs of the

American people. Throughout our Nation's history, economic growth, prosperity, and opportunity have followed investments in the Nation's infrastructure.

Today, the Nation's transportation system is an extensive network of highways, airports, railroads, public transportation systems, waterways, ports, and pipelines that provides a means for taxpayers to travel to and from work and to conduct business. The United States transportation system not only provides the foundation of our economy by moving people and goods, it also employs millions of workers and generates a significant share of total economic output. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems, and upon resilient infrastructure designed to protect lives and properties from storms and flooding.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, properly targeted investment in transportation infrastructure will mean shorter commutes that save time, reduced fuel consumption, and lower pollution; lives saved; safer systems to accommodate the transportation of hazardous materials; and fewer delays for the more than 800 million passengers who travel by air each year.

Policies to address the increasing demands on our infrastructure system and provide a vision for an infrastructure that is up to the challenges of the 21st century must be guided by strong principles that will enhance our competitiveness and grow our economy, such as:

- Making smart investments, consistent with the fundamental federal role, to ensure a modern, efficient transportation infrastructure,
- Leveraging resources from all levels of government and the private sector,
- Recognizing, promoting, and developing integrated transportation systems,
- Empowering states and local governments,
- Encouraging technological solutions and promoting innovation, and
- Reducing unnecessary regulatory burdens.

Status of Authorizations:

The Committee's record in the first session of the 115th Congress includes 16 public laws and concurrent resolutions, 51 bills approved by the House, 40 bills ordered reported or discharged by Committee, 31 hearings, three roundtables, and six markups, and the initiation of 23 Government Accountability Office (GAO) and Inspector General oversight reports and audits.

The Committee intends to act in this session of the 115th Congress on legislation to reauthorize the FAA and ensure America's aviation system remains the world's finest for years to come.

The Committee also intends to enact legislation pertaining to the management of federal real property and public buildings, measures to reauthorize FEMA, FMC, and the John F. Kennedy Center for the Performing Arts, and measures to improve economic development programs.

In addition, the Committee will authorize appropriations for the United States Coast Guard for fiscal years 2018 and 2019 at levels sufficient to maintain currently planned levels of operations, including mission activities in the Arctic region, and to continue the acquisition of new assets at a rate that will limit the costs associated with maintaining legacy assets long identified as at, or past, the end of their useful life.

This year the Committee looks forward to working with the Administration on its efforts to invest in our Nation's infrastructure and plans to advance an infrastructure bill. As part of that effort, the Committee requests that the budget resolution include a deficit neutral reserve fund.

Reauthorization of the Federal Aviation Administration:

On September 29, 2017, the President signed the current FAA extension, the *Disaster Tax Relief and Airport and Airway Extension Act of 2017* (P.L. 115-63). The law extends the agency's authority and provides funding at current levels through March 2018.

One of the top agenda items for the Committee in 2018 will be to advance an FAA reauthorization bill that reforms the FAA's regulatory processes, streamlines the FAA's safety certification processes, provides stability and predictability in the funding of aviation programs, and expedites the modernization of the National Airspace System. This legislation will also address aviation safety, and unmanned aircraft systems. To prepare for the reauthorization, the Committee has held hearings, roundtables, listening sessions, and meetings with public and private sector stakeholders. The Committee requests that the FAA reauthorization be reflected in the budget resolution.

Coast Guard and Federal Maritime Commission Authorization Acts:

The Committee intends to reauthorize the United States Coast Guard, one of the Nation's five armed services, to provide the service with the resources, vessels, and technology it needs, as well as ensure it can successfully conduct its critical missions of maritime border protection, migrant and drug interdiction, search and rescue, marine safety, and fisheries law enforcement. In addition, the Arctic is fast becoming a new maritime border for the United States, yet the icebreaking capabilities of the United States remain severely limited and in need of recapitalization to meet Coast Guard mission needs. Our maritime border capabilities also must be fortified for the future, which will require greater investment in Coast Guard assets and offshore operations. Additionally, the Committee intends to reauthorize the FMC and strategically amend the Shipping Act to ensure the Commission has adequate authority to ensure fair and competitive marine transportation serving the U.S. foreign trades.

General Services Administration – Federal Real Property and Public Buildings:

The Committee intends to advance legislation related to GSA. GSA continues to face significant asset management challenges because of chronic underfunding of its maintenance and repair budget, difficulties in disposing of surplus property, and an aging inventory. For these reasons, in 2003, the GAO placed real property management on its list of "high risk" government activities, where it remains today.

Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security, and the Committee believes there are significant opportunities to save taxpayers money through disposal of unneeded government property and improve the leasing process. On December 16, 2016, President Obama signed into law the *Federal Assets Sale and Transfer Act* (FASTA) (P.L. 114-287), which establishes pilot authority for the President to sell or redevelop vacant and underutilized federal real property and buildings. FASTA also codified the requirements for the Federal Real Property Database to ensure better accuracy and management of real property. On that same day, the President signed into law the *Federal Property Management Reform Act of 2016* (P.L. 114-318) which, among other things, codified the Federal Real Property Council. The Committee plans to conduct oversight to ensure the timely and effective implementation of these new laws. In addition, the Committee plans to move a bill that works to streamline the GSA leasing program, enabling GSA to get lower leasing rates.

With respect to GSA's leasing program, over one-half of GSA's office space inventory consists of privately leased buildings, and an unusually large number of those leases expire over the next five years. This large turnover of GSA leases is taking place at a time when vacancy rates for commercial office space remain high and market rents low in some markets where GSA has large lease holdings. The Committee intends to explore ways to help GSA maximize this market opportunity by accelerating long-term lease replacements and improving utilization rates.

The Federal Buildings Fund (FBF), the primary source of funding for GSA's capital investment program, is struggling to maintain a balanced portfolio of owned properties through construction or purchase of new federal buildings and the repair of existing buildings. The FBF is supported by rental payments charged to federal agencies occupying space in GSA facilities.

The Committee recommends that the Administration carefully review the need for any new space and base determinations of whether to lease or own on what would provide the greatest return on investment to the taxpayer. The Administration should address issues related to the high number of old buildings in the federal inventory that drain resources from the FBF and are no longer efficient for modern office space. The Committee will also continue to take steps to ensure that federal agencies decrease office space and improve space utilization to lower costs.

Furthermore, GSA has a number of statutory authorities that, if used appropriately, could reduce costs and result in ownership opportunities in federal real estate. The Committee will examine how these authorities could be used more effectively to address space underutilization, reuse vacant space, convert long-term leased space into owned space, and provide more efficient space by leveraging concessions from private landlords. The Administration should examine how these authorities could be best used; however, the Administration should work with Congress when using these authorities and there should be authorization and strong congressional oversight of such projects.

Finally, GSA's repair and alteration program has been underfunded in previous years and has failed to meet projected demand for the modernization of GSA's aging inventory of federal buildings that are retained. The Committee continues to believe that GSA should adhere to criteria in modernization priorities that target investment in federal buildings that maximize space utilization and dispose of underutilized assets where appropriate. The Committee also believes there are real opportunities to leverage private sector interests in valuable federal real estate in not only providing new office space but in modernizing the existing inventory.

Water Resources Development Act:

On December 16, 2016, President Obama signed the *Water Infrastructure Improvements for the Nation Act* (WIIN) (P.L. 114-322), which contained WRDA 2016. Legislation authorizing activities under the U.S. Army Corps of Engineers' (Corps) Civil Works program has been authorized by Congress since the 1800s. Later WRDA legislation established the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund to help pay for the modernization of locks and dams on America's inland navigation system and maintenance of waterways and ports, respectively. The Committee intends to keep WRDA on a two-year cycle and will develop a WRDA bill to address the needs of ports, inland waterways, flood damage reduction, and other programs and activities of the Corps. The Committee requests that the WRDA reauthorization be reflected in the budget resolution.

Revenues in the Inland Waterways Trust Fund are derived from a 29-cent-per-gallon user fee on diesel fuel used by commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of federal inland waterways projects, the other half coming from the General Fund in the Treasury. Prior to the enactment of a nine-cent diesel fuel increase in 2014, bringing the tax to 29 cents per gallon, the Corps was spending the funds at the same rate that it was collected and that was insufficient to maintain an efficient construction schedule for existing projects or to begin any significant new investments. In fiscal year 2018, it is estimated by the Congressional Budget Office that the Inland Waterways Trust Fund will collect approximately $109 million in receipts.

The inland waterway infrastructure system is old and in need of repair, replacement, and rehabilitation. Of the 236 lock chambers currently in operation, 139 are more than 50 years old. Investment in the replacement and rehabilitation of these projects is necessary to ensure products and commodities produced in this Nation remain competitive in the global marketplace. The American Society of Civil Engineers estimates that underinvestment in America's inland waterways cost American businesses $33 billion in 2010. Without significantly increased investment, those costs could rise to $49 billion by 2020.

The Harbor Maintenance Trust Fund is meant to pay for harbor maintenance needs. Funds are collected through a 0.125-percent tax imposed on the value of cargo loaded or unloaded at American ports. Appropriations from the Trust Fund for fiscal year 2017 was approximately $1.3 billion. The balance in the fund continues to grow and by the end of the fiscal year 2018 the balance will be approximately $9.2 billion. The Trust Fund pays for the federal share of the maintenance of federal channels at ports. Full utilization of the funds collected for the Harbor Maintenance Trust Fund would address the Nation's port maintenance requirements. The Committee requests increased funding to address the needs of the Corps.

America's businesses and consumers depend on these ports, as 70 percent of America's imports and 75 percent of its exports go through the Nation's ports. The number of ships calling on American ports is rising, and with the expansion of the Panama Canal, the size of ships will grow. With an expanded Panama Canal, increasingly larger container ships will become the norm, although the number of American container ports that currently receive such ships is limited.

The current rate of investment by the trust funds may not be sustainable in the long term if we are to keep inland waterways and ports as a viable part of a multimodal transportation system.

In addition, the Corps is challenged with aging infrastructure, increased demands, reduced budgets, and severe weather and water conditions. Ensuring that the Corps has the capability and direction necessary to meet the expectations of the Nation requires a thorough review and understanding of its priorities and its ability to manage its portfolio of assets in the context of federal budget constraints. The Committee intends to conduct technical and budget oversight of Corps funding, backlog, and future needs. Additionally, the Committee looks forward to working with the Administration on completing the implementation of the Water Resources Reform and Development Act of 2014 and WRDA 2016.

Environmental Protection Agency:

The Committee continues to believe that investment in critical Environmental Protection Agency (EPA) programs, like the Clean Water Act State Revolving Loan Fund and the Brownfields program, is important for sustainable long-term economic growth. Both of these programs provide substantial returns on investment, and Congress should continue to provide funds that support these activities.

For the Superfund program administered by the EPA, the Committee recommends funding at a level that matches its capability, so that no cleanup projects fail to advance due to lack of funding, delaying public health and environmental benefits, as well as economic benefits derived from returning sites to productive use. As with other accounts, the EPA should give highest priority to projects that protect human health and create the most jobs and economic activities.

Federal Surface Transportation Programs:

On December 4, 2015, the President signed into law the *Fixing America's Surface Transportation Act* (FAST Act) (P.L. 114-94). The FAST Act authorizes funding to improve the Nation's surface transportation infrastructure, including our roads, bridges, and public transit systems, for fiscal years 2016 – 2020.

A safe, efficient surface transportation system is essential to the economy and Americans' quality of life, and the FAST Act includes important authorizations and reforms to ensure that federal surface transportation programs can more effectively address the country's transportation infrastructure needs.

Specifically, the FAST Act provides needed certainty and flexibility for states and local governments to address their unique transportation needs; refocuses programs on national priorities, including nationally and regionally significant projects and the movement of freight; streamlines environmental review and project approval processes; promotes innovation and the deployment of transportation technologies; and maintains a strong commitment to safety.

This year, the Committee will continue to monitor the implementation of the programs, policies, and funding authorized in the FAST Act. The Committee requests that the budget resolution reflect authorized funding levels of the FAST Act.

Rail Reform Legislation:

The FAST Act also includes reforms to provide greater accountability and transparency for Amtrak, improve our rail infrastructure, enhance rail safety, accelerate rail project delivery, and leverage innovative financing.

The FAST Act reorganizes Amtrak into the Northeast Corridor (NEC) and National Network lines of business, to ensure NEC profits are reinvested in the Corridor, while authorizing Amtrak to transfer funding between the two accounts to ensure Amtrak is able to operate a national rail passenger transportation system. The FAST Act also creates a State-Supported Route Committee to coordinate and monitor Amtrak's performance, and provides opportunities for the private sector through station and right-of-way development.

The FAST Act consolidates rail grant programs for passenger, freight, and other rail activities; focuses project selection on cost-benefit analysis principles; and repeals several duplicative programs. The FAST Act also establishes a Federal-State Partnership for State of Good Repair grant program to improve essential NEC infrastructure. In addition, the FAST Act strengthens NEC planning and enhances competition by authorizing a program to allow competitors to operate up to three Amtrak long-distance lines, if they can do so at less cost to the taxpayer, and it provides competitive opportunities for the enhancement and restoration of rail service.

The FAST Act authorizes several activities to improve the safety of highway-railway grade crossings and strengthens passenger and commuter rail safety, including use of inward-facing cameras, speed limit action plans, and locomotive cab alerters. In addition, the law improves track and bridge safety by reviewing innovative technologies and creating a process for states to monitor bridge conditions, and it provides commuter railroads with competitive grants and loans funded out of the Highway Trust Fund to spur timely positive train control (PTC) implementation.

The FAST Act applies highway and transit streamlining provisions to rail, speeding up timelines, enhancing coordination among agencies, and ensuring public involvement early in the environmental review process. In addition, it unlocks the underutilized Railroad Rehabilitation and Improvement Financing (RRIF) loan program with programmatic and process reforms and enhances transparency for RRIF applicants.

In October 2015, Congress enacted the *Positive Train Control Enforcement and Implementation Act of 2015*, as part of the *Surface Transportation Extension Act of 2015* (Public Law 114-73), which extended the deadline for installation of PTC to December 31, 2018. At the discretion of the Secretary of Transportation, the deadline may be extended for individual railroads for up to two additional years if they meet certain criteria laid out in the law. The *Positive Train Control Enforcement and Implementation Act of 2015* requires each railroad carrier to report annually to the Department of Transportation on its progress toward implementing PTC systems; the Federal Railroad Administration requires additional reporting on a quarterly basis.

Finally, on December 18, 2015, President Obama signed into law the *Surface Transportation Board Reauthorization Act of 2015* (P.L. 114-110), the first reauthorization of the Surface Transportation Board (STB) since the agency's creation in 1996. The *Surface Transportation Board Reauthorization Act of 2015* authorizes the STB through 2020, and also includes commonsense reforms to improve STB processes that will ultimately allow the railroad industry to better serve its customers. The *Surface Transportation Board Reauthorization Act of 2015* streamlines rate review procedures, provides greater transparency into complaints received by the STB, and makes important structural changes, such as establishing the STB as a fully independent agency.

This year, the Committee will continue to monitor the implementation of the programs, policies, and funding authorized in the *Passenger Rail Investment and Improvement Act of 2008* (P.L. 110-432), the FAST Act, the *Surface Transportation Extension Act of 2015*, and the *Surface Transportation Board Reauthorization Act.*

Pipelines and Hazardous Materials:

The FAST Act reauthorizes the Pipeline and Hazardous Materials Safety Administration's (PHMSA) hazardous materials safety program and includes a number of reforms for the safe transportation of hazardous materials.

The FAST Act grants states more power to decide how to spend training and planning funds for emergency responders and requires Class I railroads to provide information on the identity, quantity, and location of crude oil movements to responders. The FAST Act reforms an underutilized grant program to provide more funding to states and Indian tribes for emergency response.

In addition, the FAST Act requires real-world testing and a data-driven approach to braking technology requirements for crude movements and enhances safety by requiring new tank cars to be equipped with "thermal blankets" and top fittings protection. Also, the FAST Act requires all legacy tank cars to be retrofitted to the new standards. Finally, the FAST Act provides PHMSA with authority to respond during national emergencies.

Moreover, Congress reauthorized PHMSA's pipeline safety program in the 114th Congress by enacting the *Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2016* (PIPES Act) (P.L.114-183). The PIPES Act ensures the agency completes its responsibilities under the *Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011* (P.L. 112-90); provides for a number of assessments of the current safety program; includes the establishment of minimum standards for underground natural gas storage systems and liquefied natural gas facilities; provides PHMSA with emergency order authority to impose emergency restrictions on pipeline operations and safety measures on owners and operators of pipeline facilities to abate imminent hazards; and reforms PHMSA to be a more dynamic, data-driven regulator.

This year the Committee plans to continue to review PHMSA's implementation of the mandates included in the FAST and PIPES Acts, and the *Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011*, much of which remains to be implemented.

Federal Emergency Management Agency:

FEMA manages and coordinates the federal response to and recovery from major domestic disasters and emergencies of all types, in accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended. The agency leads the Nation in preparing for, preventing, mitigating the effects of, responding to, and recovering from all domestic disasters, whether natural or man-made, including terrorist attacks.

2017 was a devastating year with natural disasters that included three back-to-back hurricanes -- Harvey, Irma, and Maria -- as well as catastrophic floods, wildfires, and earthquakes that affected hundreds of thousands in the United States alone. In 2017, FEMA supported 121 major disaster declarations, 16 emergency declarations, and 62 fire management assistance declarations. The Committee has been actively involved in providing assistance and guidance to Members of Congress whose districts have been impacted by disasters. In the first session of the 115th Congress, the Committee conducted active oversight of FEMA's response operations and provided technical expertise to inform the first two supplemental appropriations for Hurricanes Harvey, Irma, and Maria. To address critical policy needs, highlighted in part by the 2017 disasters, the Committee developed H.R. 4460, the *Disaster Recovery Reform Act*. This legislation, which passed the House as a division of H.R. 4667, increases the federal focus on disaster mitigation to proactively reduce loss of life and property through lessening the impact of future disasters and to require stronger, more resilient rebuilding after disaster strikes. The Committee will continue to work with the Senate to advance this legislation and to provide any needed input on future supplemental appropriations or legislative proposals related to the 2017 disasters.

The Committee will continue to conduct oversight on FEMA's disaster response and recovery activities, as well as identify needed reforms, on the most recent disasters and as FEMA continues to implement Sandy Recovery Improvement Act authorities, which were signed into law in 2013.

Conclusion:

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on February 14, 2018. While the report reflects a bipartisan effort, the Committee wishes to emphasize that not all Members of the Committee necessarily agree with every aspect of the report. Accordingly, the Committee reserves its flexibility to determine program needs, and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED FIFTEENTH CONGRESS

335 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
http://veterans.house.gov

March 9, 2018

The Honorable Steve Womack
Chairman, Committee on the Budget
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member, Committee on the Budget
Washington, DC 20515

Dear Chairman Womack and Ranking Member Yarmuth,

As required by section 301(d) of the Congressional Budget Act of 1974[1] and clause 4(f) of rule X of the Rules of the House of Representatives, and in response to your request, the Committee on Veterans' Affairs (the Committee) submits its Views and Estimates for fiscal year (FY) 2019. These Views and Estimates are prepared in accordance with section 502 of the FY 2018 Budget Resolution's Policy Statement on Budget Process Reform[2] to emphasize congressional priorities and increase control over the costs of federal activities.

The Committee will continue to pursue legislation and maintain an aggressive oversight agenda to make the Department of Veterans Affairs (VA) more efficient, accountable, and responsive to our nation's veterans and their families. Such legislation–and the Committee's work as a whole–will be coordinated with the Administration, conducted in consultation with veterans service organizations, and informed by the findings and recommendations of Committee staff investigations, the VA Inspector General, and the Government Accountability Office.

FY 2019 marks a pivotal time for the Department, when investments must translate into measureable results. A decade and a half of resolute congressional commitment to increasing funding for veterans' health care and benefits has yielded tangible but incomplete improvements in timeliness and quality of services. VA's discretionary appropriations and mandatory outlays have both roughly tripled during this period,[3] while the rate of veterans utilizing VA services has moderately increased,[4] and the total U.S. veteran population is projected to have peaked and

[1] P.L. 93-344.
[2] H. Con. Res. 71.
[3] Discretionary appropriations including collections increased from $28 billion in FY 2003 to $82.1 billion in FY 2018, representing a 193% increase. Mandatory outlays increased from $32.4 billion in FY 2003 to $104.3 billion in FY 2018, representing a 222% increase.
[4] National Center for Veterans Analysis and Statistics, VA Utilization Profiles, FY 2016; and VA Office of the Deputy Assistant Secretary for Policy, Number of Unique Veterans Served By VA in FY 2003, Summary Report;

begun a gradual decline.[5] It is important to target additional investments toward modernization initiatives and key areas of organizational weakness, enabling the Department to overcome an efficiency deficit that has accumulated during this period of expansion.

The Committee's primary legislative and oversight objective remains reforming the VA health care system to ensure the provision of timely, quality care to veteran patients. While the majority of that care is and will continue to be delivered in VA medical facilities, there is increasing veteran demand for care in the community. From FY 2014 to FY 2016, community care appointments increased by 61 percent overall and by 41 percent as a percentage of total VA medical appointments. In FY 2017, demand for community care rose an additional 6 percent. Community care expenditures have increased accordingly, with VA forecasting just over $13 billion in FY 2018. Unfortunately, VA still operates a varied menu of community care programs, each with disparate rules—including the Choice Program, which Congress created in 2014 in response to the nationwide VA access and accountability crisis, and legacy fee care programs dating as far back as the 1940s. These programs often work in conflict rather than concert, leading to concerns that veterans may not receive the access to care that they deserve and community care funding may not be spent efficiently.

The Committee reported legislation–H.R. 4242, the VA Care in the Community Act–on December 19, 2017, to consolidate VA's disparate community care programs into a single, streamlined program that would empower veteran patients to make their own health care decisions and ensure seamless delivery of care in VA medical facilities and in the community as well as more efficient use of taxpayer dollars. The Congressional Budget Office (CBO) has estimated its impact on discretionary budget authority at $41.6 billion, and on outlays at $38.8 billion, over the FY 2018 to FY 2022 period. The Committee does not believe this score is an accurate representation of the policy's budgetary impact, particularly on outlays, as much of the cost is already assumed in the underlying budget projections. Enactment of the legislation is expected in the coming months.

In addition to community care consolidation, another necessary component of VA health care reform is infrastructure review and realignment. VA has a sacred obligation to care for veteran patients across the country and, accordingly, is one of the largest property-holding entities in the federal government. VA's capital asset portfolio comprises 5,670 medical and 623 other buildings owned by the Department spanning over 156 million square feet, as well as 1,951 leases spanning more than 26 million square feet.[6] VA medical facilities are on average more than five times older than average not-for-profit medical facilities in the United States. VA witnesses have testified before the Committee on numerous occasions that the majority of these facilities have out-lived their useful lifecycles, generating an accumulated 10-year capital deficit estimated at $51 billion in FY 2015.[7] With an average age of 60 years, VA medical facilities were designed and intended to meet an older, primarily inpatient model of care and are at a

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finding the aggregate utilization rate of VA services increased from 32% in FY 2003 to 48% in FY 2016, or from 7.9 million unique veterans in FY 2003 to 10.7 million unique veterans in FY 2016.

[5] National Center for Veterans Analysis and Statistics, Veteran Population Projections: 2017-2037; projecting, in part, "The total Veteran Population is predicted to decline from 20.0 million in 2017 to 13.6 million in 2037."

[6] VA FY 2019 Budget Submission, Volume IV: Long Range Capital Plan, p. 8.2-6.

[7] Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs, McKinsey & Company, Vol. K, p. 17.

competitive disadvantage with the private sector in providing care in accordance with contemporary, primarily outpatient models. This raises serious concerns about the Department's ability to meet the needs of veteran patients in the years ahead.

The Committee believes appropriations in all construction and facilities accounts above the previous 10-year trend line are necessary, but in light of the depth of the capital need, they must be targeted where they will be most impactful. In order to ensure that VA's facilities are positioned to provide the high quality services that veterans need and that VA's taxpayer-provided resources are being used most appropriately, the Committee believes that VA must embark on a robust and politically insulated infrastructure review and realignment process–as outlined in the Committee's legislation, H.R. 4243, the VA Asset and Infrastructure Review Act, which was reported on November 8, 2017. CBO has estimated its impact on mandatory budget authority at $4.4 billion, and on outlays at $3.8 billion, over the FY 2018 to FY 2027 period. CBO has estimated its impact on discretionary budget authority at $1 billion, and on outlays at $719 million, over the FY 2018 to FY 2022 period, and to be insignificant over the longer FY 2018 to FY 2027 period.

Another of the Committee's priorities to reform VA health care is improving support for family caregivers of severely wounded veterans of all eras. In addition to support, training, and respite care that are available to caregivers of veterans from all eras, VA provides family caregivers of post-9/11 veterans with a monthly tax-free stipend, enrollment in VA's Civilian Health and Medical Program (if the caregiver is not already covered under an existing insurance plan), and certain travel expenses through the Program of Comprehensive Assistance for Family Caregivers (PCAFC). PCAFC, which Congress created in 2010, has experienced much higher than expected demand for services, causing delays, staffing shortages, workload concerns, and other issues. Moving forward, the Committee intends to work with the Administration to reform eligibility for PCAFC to ensure that resources are targeted to and available for caregivers of the highest need veterans of any era.

Additionally, the Committee prioritizes the extension of the presumption of exposure to herbicides to Blue Water Navy veterans who served during the Vietnam War. In the Agent Orange Act of 1991,[8] Congress mandated that VA presume that veterans were exposed to certain dangerous chemicals while serving during the conflict in Vietnam. As a result, many Vietnam veterans are eligible for VA benefits, including health care and compensation, if they develop conditions that are associated with exposure to herbicides. VA has interpreted the Agent Orange Act to apply only to veterans who actually served on land or in Vietnam's inland waters. Consequently, thousands of Navy veterans must prove that they were actually exposed to herbicides to qualify for benefits because they are ineligible for the presumption of exposure. Unfortunately, it is difficult for many veterans to document exposure to dangerous chemicals because many paper records from the Vietnam War may have been lost or destroyed—if they were ever in existence. The Committee has not yet reported legislation to provide for extending that presumption to Blue Water Navy veterans—H.R. 299. CBO has preliminarily estimated its impact on mandatory outlays at $971 million, on discretionary budget authorization at $677 million, and on discretionary outlays at $653 million over the FY 2018 to FY 2027 period. The Committee is determined to work with the Department and veterans service organizations to

[8] P.L. 102-4.

identify an appropriate offset to ensure that Blue Water Navy veterans receive any benefits they have earned.

The Committee requests that the budget resolution include a deficit-neutral reserve fund to support the above priorities.

The Committee supports the Department's proposed Electronic Health Record Modernization (EHRM) program to replace the Veterans Information Systems and Technology Architecture (VistA), Computerized Patient Record System, and associated clinical and administrative information technology (IT) systems with a modern, commercial electronic health record (EHR) system. It is crucial that the new EHR system be seamlessly interoperable with corresponding systems of the Department of Defense and community health care providers and that VA implement EHRM in the context of a versatile, open interoperability platform that the Department owns and controls. The Committee will exercise vigorous oversight of this costly and challenging program throughout its duration. To strengthen this oversight, the Committee intends to enact H.R.4245, the Veterans' Electronic Health Record Modernization Oversight Act of 2017. The Committee also supports the VA Office of Information and Technology's declared "Buy First" policy to purchase commercial-off-the-shelf software and customize it to the minimum necessary extent, rather than develop proprietary systems. At the same time, the Committee believes VA must maintain the expertise and capability of federal employees sufficient to exercise strategic and operational control of IT activities.

The Committee remains concerned that some benefits and programs administered by the Veterans Benefits Administration (VBA) continue to be largely ignored. In recent years, the bulk of the staffing and resource increases have been directed toward the administration of disability compensation and pension claims. This primary focus on compensation and pension claims has resulted in a lack of attention placed on the administration of other VBA benefits such as the GI Bill, Vocational Rehabilitation, Home Loan benefits, and VA's portion of the Transition Assistance Program—benefits that promote self-sufficiency. To address these concerns and bring better focus and attention to the programs that provide economic opportunity to veterans, the Committee plans to draft legislation that would create a new fourth administration at VA. This Economic Opportunity and Transition Administration would be led by a new undersecretary and would be charged with administering all of the benefits that are currently held under the Office of Economic Opportunity. The new Economic Opportunity and Transition Administration would be within existing full-time equivalent and general and administrative resources to ensure budget neutrality. This bill would improve accountability without growing government.

Turning to the Committee's views on the conduct of existing programs, the Committee supports the Administration's focusing of resources on implementing the Veterans Appeals Improvement and Modernization Act of 2017.[9] We are especially encouraged by the Department's willingness to collaborate and partner with veterans service organizations to draft regulations and develop the forms required to successfully effectuate reform. Over the next year, the Committee intends to work closely with VA to ensure that the Department takes the steps necessary to transition seamlessly to the new appeals system.

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[9] P.L. 115-55.

At the same time, the Committee is concerned that the Administration's request includes an additional 605 full-time equivalents for VBA without providing detailed information on how these new employees will help achieve the Department's core mission. In particular, the budget request did not include the metrics VA will employ to evaluate whether the new employees achieve these goals. Moreover, the Committee is seeking information on whether VA will assign these employees to process the appeals of veterans who have been waiting the longest in the legacy system, whether these additional workers would only process new appeals, or both.

The Committee appreciates that the Board of Veterans' Appeals (Board) is leveraging opportunities to improve efficiencies in operations to provide better service to veterans. Specifically, we support the Board's efforts to develop Caseflow, a suite of modern web-based applications that would improve the Board's management, as well as tracking and adjudication of appeals. The Committee looks forward to receiving more information regarding the Board's initiative to streamline its business processes to reduce administrative work and allow its staff to focus on the Board's core mission of adjudicating appeals and issuing decisions.

Ensuring economic and educational opportunities for veterans, particularly those transitioning from active duty, is another area of continued focus and prioritization for the Committee. The Committee will continue oversight efforts of the implementation of P.L. 115-48, the Harry W. Colmery Educational Assistance Act of 2017, also known as the Forever G.I. Bill. This bipartisan law is the largest expansion of educational benefits since the passage of title V of P.L. 110-252, the Post 9/11 G.I. Bill. The Committee will ensure VA is implementing the Forever G.I. Bill as intended and in an efficient and cost-effective manner.

The Committee will also focus oversight on ensuring a seamless and successful transition of servicemembers from active duty to civilian life. The Committee believes this oversight, and possible legislative changes to the Transition Assistance Program, are critical to improving servicemembers' successful transition. In addition to examining the Transition Assistance Program, the Committee will look for ways to take a more holistic view of the transition process to coordinate efforts and reduce duplication of services between governmental agencies, veterans groups, and community providers.

The National Cemetery Administration (NCA) anticipates that by FY 2019, approximately 93 percent of veterans will have access to a burial option in a national, state, or tribal veterans' cemetery within 75 miles of their home. We note that NCA remains cognizant that significant numbers of veterans prefer burial in a private cemetery and, thus, NCA provides government headstones and markers. It also provides Presidential Memorial Certificates to hundreds of thousands of families each year. While targeting access goals, both urban and rural, NCA has sustained a record of excellent service to veterans and their families. The FY 2019 budget request supports a continued commitment to ensure that national cemeteries meet or exceed the highest standards of appearance required by their status as national shrines. Accordingly, the Committee supports the Administration's FY 2019 request for NCA.

Finally, the Committee is concerned that mission support and back-office functions that are critical to all aspects of the Department's success continue to be mired in dysfunction and largely ignored by senior VA leadership. These include human resources, finance, logistics, and procurement. The Committee will continue prioritizing, through its oversight activities as well as potential legislation, organizational improvements in finance, logistics, and procurement and will elevate its focus on reforming and strengthening human resources.

As always, the Committee appreciates your continued support and looks forward to working with you for a successful FY 2019.

Sincerely,

David P. Roe, M.D.
Chairman

REPUBLICANS
DAVID P. ROE, TENNESSEE, CHAIRMAN

DEMOCRATS
TIM WALZ, MINNESOTA, RANKING

U.S. House of Representatives
COMMITTEE ON VETERANS' AFFAIRS
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March 7, 2018

The Honorable Steve Womack
Chairman, Committee on the Budget
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member, Committee on the Budget
Washington, DC 20515

Dear Chairman Womack and Ranking Member Yarmuth,

This letter outlines the minority Committee on Veterans' Affairs (HVAC) views and estimates for the Department of Veterans Affairs (VA) budget for fiscal year 2019 (FY19).

We support most views and estimates outlined in the HVAC majority's letter on the VA budget for FY19, reflecting the bipartisan spirit of our Committee and our mutual commitment to ensure veterans receive the health care and benefits they have earned. In this spirit, we support the VA funding levels in the Administration's budget request and urge the Budget Committee to support the requested increases in mandatory and discretionary spending.

Our views differ from the Administration on the proposed consolidation of funding accounts, and its proposal to spend half of VA's $4 billion non-defense discretionary budget cap increase to pay for non-VA community care, instead of rebuilding and improving VA hospitals and clinics--the commitment announced in the deal for the Bipartisan Budget Act of 2018 (2018 BBA). We supported passage of the 2018 BBA because VA has significant infrastructure challenges, including a minor construction backlog and significant non-recurring maintenance requirements at VA facilities. It also has over 30,000 unfilled provider positions within its hospitals and clinics. VA must have modern facilities, health care providers, and support staff so it can deliver quality health care, maintain its cemeteries, and deliver benefits to veterans.

As for the proposed consolidation of funding accounts we have serious concerns about the lack of transparency and the subsequent challenges of conducting oversight that will come as a result of "merging" VA's Medical Community Care account with its Medical Services account. Due to concerns over how and where money was being spent on care in the community, Congress specifically requested a separate account, which was authorized in section 4003 of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015. If accounts are consolidated and all care, whether provided in-house or outside the four walls of VA, is paid for from one account, Congress will have no reliable way of tracking how much care is being provided in the community. In fact, in its FY19 budget, VA advocated for having a separate account for funding its Electronic Health Record Modernization program in order to ensure greater transparency. We believe that in order to be good stewards of taxpayers' dollars, VA should extend its policy of openness to veterans' health care too.

VA's community care programs, including the Veterans Choice Program (VCP), exist to fill gaps when VA is unable to treat patients within clinically necessary and established timeframes, and when veterans live more than 40 miles from a VA medical facility. The Administration proposes a significant increase in discretionary funding of community care, requesting \$8.86 billion in FY19 and \$14.66 billion in advanced appropriations for FY20. Including the \$1.9 billion remaining in mandatory, emergency supplemental funding for the VCP (that VA requests to transfer to VA's discretionary medical services account in the FY19 budget proposal) this represents a 49 percent increase in spending on community care. In comparison, VA requests a nine percent increase of \$49.66 billion for care provided in VA facilities. Already, in January 2018 alone, VA spent over \$400 million on community care in the VCP.

When we discuss spending on VA health care and benefits tripling in the past 15 years, we must add some context to these figures. In 2003, when our country had already been at war for two years, VA was shamefully underfunded because it had failed to plan for several generations of veterans who had fought in World War I, World War II, Korea, Vietnam, and the first Gulf War. At the same time, VA was beginning to treat and provide benefits to veterans of the Iraq and Afghanistan wars, who were surviving unthinkable battlefield wounds, both visible and invisible. In 2014, Congress again learned VA did not have the resources to treat veterans and was falsifying wait times at medical facilities to hide this fact. That year, Congress authorized \$10 billion to pay for the VCP—another community care program intended to address VA's ongoing patient access challenges. Congress authorized an additional \$4.2 billion in funding for this program last year, and VA is on track to exhaust these funds in May 2018. Congress's commitment to increase funding for veterans' health care and benefits over the past 15 years coincides with the Global War on Terrorism, and the ongoing conflicts in Southeast Asia, the Middle East, and Africa in which Americans continue to fight to this day.

In short, while Congress has offered increases in funding to the Department in an effort to address the Agency's woeful underfunding of previous decades, the Committee continues to hear from The Independent Budget Veterans Service Organizations (IBVSOs)--comprised of The Veterans of Foreign Wars (VFW), Disabled American Veterans (DAV) and Paralyzed Veterans of America (PVA)--that VA has not been provided the resources it needs to meet veteran demand for services. In its FY 2018 budget book, the IBVSOs stated:

> "[T]he resources provided to VA health care have been inadequate to meet the mission of care for veterans. While there are many factors that contributed to the access crisis, it is a simple fact that when there are not enough doctors, nurses, and other clinical professionals or enough usable treatment space to meet the rising demand for care by enrolled veterans, the result will be waiting lists and access problems...
>
> [H]istory shows that no VA reform plan has any chance of success unless sufficient resources are consistently provided to meet the true demand for services, when and where they need them. With more and more veterans seeking out VA as it improves access, Congress will have to continue investing resources to allow VA to keep up with rising demand."[1]

We agree with our majority that the highest legislative priority for our Committee is passing legislation to reform the VCP and consolidate VA's disparate community care programs and authorities. This legislation is necessary so that VA and veterans are able to receive community care when they need it under one manageable program. However, we disagree with our majority's assessment of the Congressional Budget Office (CBO) scoring methodology for H.R. 4242, the VA Care in the Community Act, as it is in line with historic spending on all of VA's community care programs, including the VCP.

In an effort to address H.R. 4242's CBO score during the December 19, 2017 markup, Chairman Roe offered an amendment that would have placed caps on VA's Medical Community Care account. In effect, growth of the program would have been restricted to just three percent a year. We believe a three percent growth cap is completely insufficient and could lead to rationing of community care or diversion of funds from VA's Medical Care account, which funds treatment in VA hospitals and clinics. Although we appreciate the Chairman's withdrawal of his amendment, this legislation continues to lack a sustainable path to fund this permanent program. Playing tricks with authorizing caps, either in the hearing or when this bill is brought to the floor for final passage sends the wrong message to VA, community providers and the veterans we are supposed to serve. Moreover, without a plan to appropriately fund any future community care program, we are equally concerned that Congress will continue to kick the proverbial can down the road and will opt instead to authorize more funding for the flawed VCP that was only ever intended to be a temporary measure to address VA's access to care crisis.

Until a realistic pay-for is identified, we cannot support H.R. 4242. This Congress passed a $1.5 trillion tax cut to primarily benefit the wealthiest individuals and corporations, but is unable to find a pay-for for H.R. 4242, the expansion of the caregiver program, or extending the application of the Agent Orange presumption to Blue Water Navy veterans.

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[1] The Independent Budget Veterans Agenda for the 115th Congress, pg. 5.

http://www.independentbudget.org/2018/FY18_IB.pdf

Furthermore, although we agree with Chairman Roe that VA needs to realign its capital assets to right-size the agency to meet the needs of veterans, we are, unequivocally opposed to the elements of a BRAC-like process contained in H.R. 4243, the VA Asset and Infrastructure Review Act, and outlined in what became known as the "Strawman Document" during proceedings for the Commission on Care (CoC). In March 2016, seven Commissioners (Blom, Cosgrove, Hickey, Johnson, Selnick, Steele and Webster) produced a document which was meant to serve as a basis for CoC discussions. The document stated:

> ...VA facilities that are under-utilized will be dispensed with. No new facility construction or major renovations will occur. A BRAC-like process will begin to close the other facilities. Over time, the VA will become primarily a payor...[2]

Rather than closing facilities, we believe a capital asset review and realignment will likely result in the need for additional construction and leasing endeavors. In its FY 2018 budget submission, VA data illustrated every Veterans Integrated Service Network (VISN) across the country has greater demand for outpatient care than capacity to provide it.[3] Providing increased access to care in the community to address this gap will not be the answer in all instances. The Hospital Association of America (HCA) also explained in testimony to our Subcommittee on Health that a lack of facility space for use by providers significantly affected VA providers' ability to meet national standards of productivity.[4] The minority agrees that any realignment of VA's assets and infrastructure should be based on sound data and the expected demand of veterans on VA-based services. However, absent a permanent VA community care program, the future demand on VA's services is impossible to assess.

In addition, as written, H.R. 4243 currently presents a static, non-recurring event. If VA is to be successful in delivering health care in the 21st century--a system that in and of itself is rapidly changing due to advances in medicine and an evolving veteran population--the Department needs a dynamic process to both assess and address its future capital asset needs. In its 2015 review of veteran demographics as a part of the *Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs*, the RAND Corporation noted that while the overall veteran population would decrease by 19 percent over the next 10 years, a substantial

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[2] Commission on Care, March 18, 2016, "Strawman Document," https://s3.amazonaws.com/sitesusa/wp-content/uploads/sites/912/2016/03/2016.3.18-Proposed-Strawman-Assessment-and-Recommendations.pdf

[3] VA FY 2018 Budget Submission- Vol. 4,Pg. 8.3-3

https://www.va.gov/budget/docs/summary/fy2018VAbudgetVolumeIVconstructionLongRangeCapitalPlanAndAppendix.pdf

[4] United States Cong. House Committee on Veterans' Affairs, Subcommittee on Health Oversight Hearing - "Clinical Productivity and Efficiency in the Department of Veterans' Affairs Healthcare System." July 13, 2017. 115th Cong. 1st sess. Washington: GPO, 2017 (statement from Jonathan B. Perlin, President of the Clinical Services Group and Chief Medical Officer at HCA Heatlhcare, Inc.).

geographical shift in where veterans reside would occur.[5] In addition, in its FY 2018 budget submission, VA highlighted that female veterans are the fastest growing cohort, expected to grow from eight percent in 2016 to ten percent by 2026,[6] and that it is also expecting a bubble of aging veterans requiring long-term care and services over the coming decades (the number of 85-year-old enrollees will almost double over the next 20 years).[7]

The minority is pleased to see the Chairman's commitment to addressing the expansion of the Program of Comprehensive Assistance for Family Caregivers to all eras of veterans. For too long, caregivers of pre-9/11 veterans have faced an inequity simply because their loved ones served their country before an arbitrary date. Since 2013, Congress has been promising these individuals it would correct this wrong. However, given the cost associated with expanding this program and concerns about the current program, Congress has failed to keep its promise. As the Committee moves forward with its latest attempt to address the unfairness, we must ensure that whatever the solution is, it provides veterans and their caregivers access to much needed support.

We support the Administration's proposed increase in mandatory funding levels for veterans' benefits and we strongly agree with our Majority prioritizing the extension of the presumption of exposure to herbicides to Blue Water Navy veterans who served during the Vietnam War. H.R. 299, the Blue Water Navy Vietnam Veterans Act, has 323 co-sponsors and should be brought to a vote on the House Floor.

However, we oppose the Administration's proposed ten-year round-down in the computation of the cost of living adjustment (COLA) for service-connected compensation and dependency and indemnity compensation (DIC). The COLA round down is strongly opposed by Veterans Service Organizations and the HVAC minority because it undercuts the goal of ensuring veterans' compensation keeps pace with the economy, and second, because it cuts benefits veterans have earned to pay for other veterans programs and benefits. VA programs and benefits should be not funded on the backs of disabled veterans and their surviving spouses and children.

Finally, we applaud the recommendation in the Administration's 2019 budget proposal to change current policy to ensure VA can reissue benefits to all veterans in the event a VA-appointed fiduciary misuses those benefits. The minority also supports the VA's proposed increase of 225 full-time equivalent positions to more closely monitor the VA-appointed fiduciaries because it is necessary to protect vulnerable veterans. Both proposals are long overdue and Congress should support them.

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[5] CMS Alliance to Modernize Healthcare Federally Funded Research and Development Center, September 1, 2015, *Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs*, https://www.va.gov/opa/choiceact/documents/assessments/Integrated_Report.pdf.

[6] VA FY 2018 Budget Submission- Vol. 2, pg. VHA 373

https://www.va.gov/budget/docs/summary/fy2018VAbudgetVolumeIImedicalProgramsAndInformationTechnology.pdf

[7] Ibid.

Sincerely,

TIM WALZ
Ranking Member

Beto O'Rourke.

Elizabeth H. Esty

Congress of the United States
U.S. House of Representatives
COMMITTEE ON WAYS AND MEANS

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February 27, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B234 Longworth House Office Building
Washington, DC 20515

Dear Chairman Womack,

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344) and in response to your letter of January 18, 2018, this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for Fiscal Year 2019 that fall within the Committee's jurisdiction.

With the enactment of the *Tax Cuts and Jobs Act (Public Law 115-97)*, economic growth projections for our nation already have been revised upward, with the new fairer, simpler tax code expected to drive significant increases in jobs, wages, and investment in the coming months and years. Building on the successful delivery of pro-growth tax reform, the Committee will continue to focus on promoting policies that spur private sector job creation and economic growth. As laid out below, these policies include promoting job readiness and reforming welfare programs to help more families escape poverty and achieve upward mobility through work; bending the cost curve in health care; ensuring entitlement programs, including Medicare and Social Security, remain solvent for future generations; continuing to improve and simplify the tax system to enhance economic growth; advancing legislation to reform the Internal Revenue Service; expanding trade especially through providing new opportunities to grow exports of American-made goods and services; and reducing the national debt.

I. <u>Legislative Issues with Budgetary Impact</u>

A. <u>Human Resources</u> – The Committee will work to reform welfare programs under the Committee's jurisdiction to better assist low-income families in increasing their work and earnings so they can escape poverty. It will review the operation of current unemployment benefits and programs, and review, as needed, improvements to accelerate returns to work, prevent inappropriate benefit payments, and improve overpayment recovery. The Committee will continue its work to reauthorize the Temporary Assistance for Needy Families program and review the effectiveness of the Child Support Enforcement program. The Committee also will review the child care entitlement to states to ensure it targets those most in need and promotes economic mobility through employment, as well as consider policies to improve the child welfare system. The Committee also will continue its general oversight over the Human Resources programs under its jurisdiction, with a special focus on opportunities to prevent duplication, overlap, and fragmentation, in order to improve the overall effectiveness of federal efforts to serve low-income individuals.

B. Affordable Care Act, Medicare, and Other Health Care Issues – The Committee will review options for repealing and replacing the Affordable Care Act, with a goal of improving the quality, affordability, and sustainability of health care received by, and insurance coverage available to, all Americans. In addition, the Committee will look for ways to reform the Medicare program to ensure its sustainability for current and future beneficiaries. The Committee also will examine policies that reduce the cost of health insurance, increase health care quality and improve outcomes, protect access to care, encourage transparency, and eliminate waste, fraud, and abuse.

C. Social Security – The Committee will work to strengthen Social Security programs by examining the financing challenges facing Social Security's retirement, survivors, and disability programs, with particular focus on the role of Social Security benefits for today's and future beneficiaries, the cost to taxpayers and beneficiaries of delays in addressing those challenges, and proposed solutions. The Committee will continue to pursue options to better protect Americans from identity theft related to the proliferation of use and misuse of Social Security numbers. In addition, the Committee will examine the agency's deployment of tight resources to serve the public and taxpayers and provide oversight of the management, performance, program stewardship, and long-range strategic planning related to Social Security programs.

D. Tax – The Committee will continue its focus on taking bold action to ensure that the United States has a world-class tax system that is built for growth and that works for individuals, families, and businesses of all sizes. The Committee will advance the legislation it has been developing to reform the administration of the tax laws by the Internal Revenue Service, so that America will have a fairer, simpler tax administrator that is aligned with the fairer, simpler tax code. The Committee also will monitor implementation of the *Tax Cuts and Jobs Act* and consider additional reforms that would further improve the tax code consistent with the pro-growth objectives of the Act. In addition, the Committee will continue to review other tax matters, including the tax aspects of other legislation being considered in the House.

E. Trade – The Committee seeks to increase economic opportunities for American workers, farmers, and businesses by opening new markets to U.S. goods and services, eliminating foreign trade barriers to our goods and services, and enforcing U.S. rights under our trade agreements. With respect to trade negotiations, the Committee intends to continue to work closely with the Administration to modernize and upgrade the North American Free Trade Agreement (NAFTA) with ambitious and enforceable obligations in a manner that provides the certainty needed for U.S. job creation. The Committee will also consult extensively with the Administration concerning negotiations surrounding the Korea-U.S. Free Trade Agreement (KORUS). The Committee will work with the Administration to determine appropriate partners for additional trade negotiations as well as negotiating priorities. The Committee expects to conduct frequent and thorough consultations with the Administration consistent with the requirements of the *Bipartisan Congressional Trade Priorities and Accountability Act of 2015*. The Committee intends to scrutinize whether all of the enforcement tools in the *Trade Facilitation and Trade Enforcement Act of 2015* are being fully implemented. The Committee will continue its oversight over issues and opportunities in trade with emerging economies, including China and India, and the Administration's enforcement of trade agreement rules and U.S. trade remedy laws. In addition, the Committee will continue its oversight over ongoing trade negotiations under the auspices of the World Trade Organization (WTO), other plurilateral efforts, and bilateral investment treaties, as well as the U.S. role in the WTO, including U.S. goals, negotiations, dispute settlement, and accessions. The Committee intends to finish work to enact the Miscellaneous Tariff Bill, a package of noncontroversial bills to eliminate or reduce duties on products not made in the United States, which passed the House by a vote of 402-0. This legislation is consistent with the process established by the *American Manufacturing Competitiveness Act of 2016*. The Committee will continue its oversight and action regarding the operation of U.S. preference programs for developing countries and intends to finish work to enact an extension of the Generalized System of Preferences, which expired on December 31, 2017. The House passed a retroactive extension of this legislation by a vote of 400-2. The Committee intends to consider the *Synthetics Trafficking & Overdose Prevention (STOP) Act*, legislation to help stop dangerous synthetic opioid drugs like fentanyl and carfentanil from being shipped into the United States through international mail. Finally, the Committee will continue its oversight over the budgets and activities of agencies within its jurisdiction, including the Office of the U.S. Trade Representative, U.S. Customs and Border Protection, and the U.S. International Trade Commission.

II. The Fiscal Year 2019 Budget

The Committee will review the President's Fiscal Year 2019 Budget. This review will provide the Committee the opportunity to assess the effectiveness of the President's budget in promoting job creation and economic growth, reducing budget deficits and debt, and ensuring the long-term sustainability of programs within the Committee's jurisdiction.

III. Public Debt Limit

The current statutory public debt limit already is greater than the gross domestic product of the United States. While the Committee recognizes its responsibility to ensure that the United States meets all its obligations, the current growth of the national debt is not sustainable. Current debt levels are already a threat to economic growth and, unless action is taken, the projected increase in the national debt will threaten the economic foundation of the country. Thus the Committee intends to pursue policies to slow and ultimately reverse the growth in the national debt and prevent the need for future increases in the statutory debt limit.

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, security, and fiscal prudence.

Sincerely,

Kevin Brady
Chairman

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

February 27, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member
Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Womack and Ranking Member Yarmuth:

Ways and Means Committee Republicans have forwarded to you and your colleagues a letter transmitting the "views and estimates" of the Committee on Ways and Means as required by Section 301(d) of Congressional Budget Act of 1974. I am writing to provide the Democrats' perspective on budget priorities within our Committee's jurisdiction.

In focusing on the budget, I must start with the Republican tax law, which is fiscally irresponsible. The law adds at least $2.3 trillion to the nation's debt while giving massive tax cuts to big corporations. The Republicans claim that the United States will have strong economic growth as a result of their tax law. However, not one mainstream economist has made a similar assertion. Tax cuts do not pay for themselves. The President's Director of the Office of Management and Budget, Mick Mulvaney, essentially has admitted this himself.

Instead, to pay for these corporate handouts, the Republicans intend to cut funding for the social safety net and programs like Medicare, Medicaid, and Social Security, which provide vital benefits that hardworking Americans have paid into and earned. In fact, the President's Budget includes a $1.4 trillion cut to Medicaid, a $532 billion cut to Medicare, and a $65 billion cut to Social Security, to name a few.

My committee colleagues and I continue to support and develop policies that create economic opportunities for middle-class Americans and their families. Too many people are trying to navigate obstacles while trying to make ends meet. Our overall goal is to help create jobs; deliver high-quality, low-cost health care; and generally help all Americans make a better life for their families.

In that spirit, we look forward to working with our Republican colleagues on legislation that focuses on working-class families. This includes providing opportunities to the middle class through the tax code; encouraging fair trade; strengthening and improving Social Security and Medicare; ensuring all Americans have access to affordable, high-quality health care; and providing opportunities and resources to protect vulnerable Americans. These policies will smooth economic obstacles and provide opportunities for families to climb the economic ladder.

Sincerely,

Richard E. Neal
Ranking Member

Congress of the United States

JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 5(a) OF PUBLIC LAW 304, 79TH CONGRESS)

Washington, DC 20510–6602

March 2, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
B-234 Longworth House Office Building
Washington, DC 20515

Dear Chairman Womack:

Thank you for inviting the Joint Economic Committee (JEC) to submit views on the budget resolution for fiscal year 2019. As you know, unlike committees with legislative jurisdiction, the JEC has a special role in the Views and Estimates process under section 301(d) of the Congressional Budget Act of 1974 to submit "recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946." The 1946 Act is aimed at increasing employment opportunities, economic growth, and take-home pay. The JEC's policy recommendations are contained in the last section of this letter.

The JEC is also tasked with providing two other sets of information to the House and Senate Budget Committees to assist with the congressional budget process. Under 31 U.S.C. 1109, the JEC is directed to provide an economic evaluation of the President's budget each year. In addition, 15 U.S.C. 3101 *et seq.* requires the JEC to submit formal comments by March 15 on the short-term and medium-term goals contained in the *Economic Report of the President and Annual Report of the Council of Economic Advisers* (ERP).

A brief review of the economic conditions inherited from the previous Administration is instructive in the FY2019 budget process, because it will put into proper context the steps taken by Congress and the administration to date, as well as OMB's budget plan going forward.

Where We Started

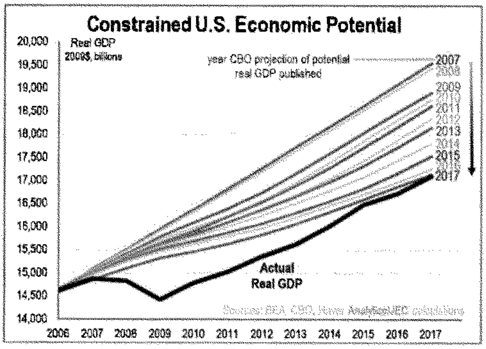
Economic growth is a critical component of public policy objectives, including the government's ability to fund its programs. Since World War II, the U.S. economy has averaged a little over 3 percent real growth per year. Slower growth leads to difficult concessions and disappointment. The Obama Administration delivered only 1.5 percent average growth and advised the public to lower its expectations to a "new normal" of about 2 percent annual real GDP growth for the foreseeable future. However, economic growth has accelerated in the first year of the Trump Administration.

The JEC's letter of March 1, 2017, pointed out that the Obama Administration initially used overly optimistic economic growth assumptions, which it had to temper each subsequent year.

The previous administration's final 10-year projection predicted an annual growth rate of 2.4 percent for the first five years, ticking down to 2.3 percent for the second five years.

CBO has not yet released its 2018 Budget and Economic Outlook, but during the prior eight years, CBO lowered its estimate of potential GDP each year—indicating that not only was the economy recovering more slowly than expected, its capacity to grow was also diminishing. The figure below shows how slowly the United States recovered from the last recession and the substantial decline in the U.S. economy's estimated output potential over time.

Figure 1

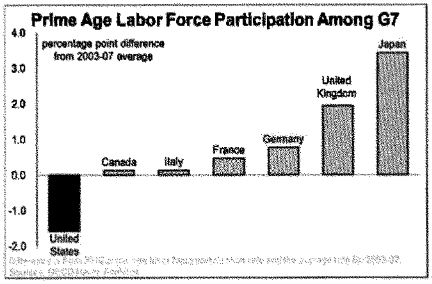


Policies that contributed to this decline, which we also identified in last year's letter are:

- Heavy taxation of the top earners (most of whom are business owners) and higher taxes on capital (which diminishes business investment and productivity);
- Financial regulation hampering the ability of community banks to lend to small businesses and compete with larger banks;
- A larger social safety net that is poorly structured for low-income Americans and tends to trap them in poverty by discouraging work and economic mobility;
- Preservation of the ACA with its higher taxes, larger bureaucracy, and disincentives to work on top of rising premium costs and fewer health insurance choices;
- A government takeover of college financing (which contributed to rising student loan debt and higher tuition prices); and
- Overly burdensome environmental regulations that destroy American jobs and fail to address the larger environmental problems worldwide.

During the Obama years, private business investment, productivity growth, and labor force participation all languished, and low productivity growth translated into slow wage growth. Concerning labor force participation, the United States is an outlier among developed economies, with a decline in the prime-age population's share in the labor force (Figure 2)

Figure 2

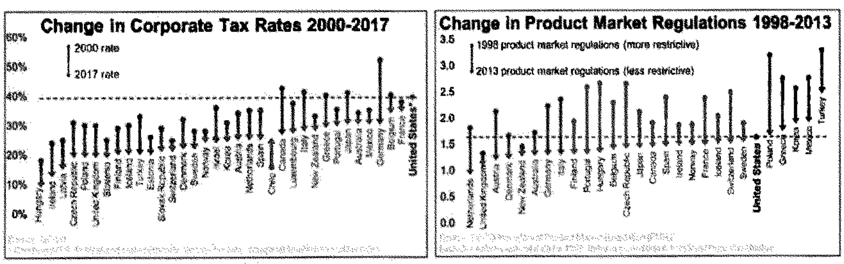


This development is uncharacteristic of recoveries from previous recessions, including ones involving financial crises. Normally, steep recoveries follow steep recessions. The country faces challenges, as it always does, such as an aging population and the opioid crisis, but this does not excuse the meager growth we experienced for eight long years following the last recession.

The Committee delved deeper into the reasons for the weak recovery with multiple hearings last year and found that depressed economic dynamism—principally a drastically lower rate of new business formation than before the recession—underlies many economic ills. Causes of declining dynamism include, in addition to population aging: high tax rates; tax code complexity; overly burdensome regulations; and difficult access to credit for small and midsized businesses.

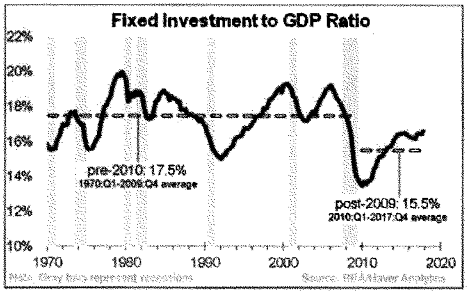
While taxes were too high and business regulations too cumbersome in the US, other major industrialized countries responded by lowering their tax and regulatory burdens (Figure 3). For an open economy, such as ours, this means that capital moves offshore to where after-tax returns can be higher.

Figure 3



The ensuing corporate inversions, production relocations, and profit shifting by U.S. multinational corporations to more favorable foreign jurisdictions also restrained investment in the United States (Figure 4).

Figure 4



The low labor productivity growth that many economists blame for the sluggish post-recession GDP growth is partially due to private investment falling below the historical norm. Business investment equips workers to produce more per hour worked, and without it, workers lack an important ingredient for productivity growth. The Trump Administration's Council of Economic Advisers (CEA) explained in the ERP (referenced earlier) that repatriating foreign earnings by U.S. multinationals can boost domestic investment, in turn accelerating wage growth.[1]

Policies to Bring Us Back

America needs headroom for faster economic growth. We must raise the ceiling on our potential to let the economy grow faster again. While the aging of the population and other factors may pose inevitable constraints, smarter policy choices can improve the functionality of America's entrepreneurial market economy. We have certainly lost ground, relative to other countries that have made their economies more business friendly in terms of taxation and regulation. Much work remains to regain the many U.S. corporate headquarters that have moved to foreign locations and to rise from 49th place in the World Bank's country rankings for ease of starting a new business.[2]

Figure 5

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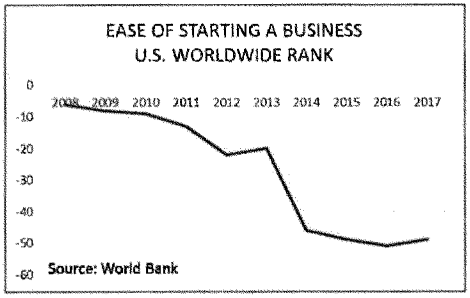
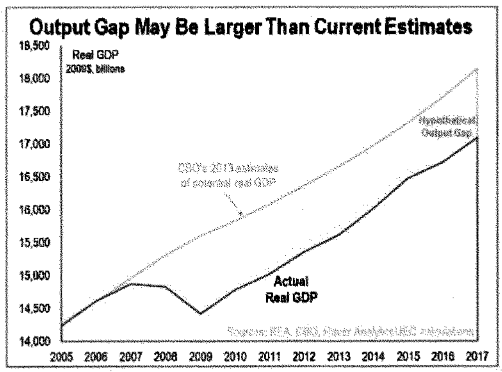
[1] See, "Taxes and Growth," Chapter 1, *Economic Report of the President*, February 2018.

[2] https://www.bloomberg.com/graphics/tax-inversion-tracker/. http://www.doingbusiness.org/reports/global-reports.



If the economy were inescapably stuck in low gear, then policy actions that increase federal deficits and accommodative monetary policy would be inappropriate. But if the economy's potential were raised again—for instance to the level of CBO's 2013 projections for 2018—then there would be an appreciable output gap between actual and potential GDP (Figure 6), which would accommodate faster GDP growth. The probability of unwanted inflation and the size of the deficit would be of less immediate concern if economic growth accelerates toward potential.

Figure 6



Focusing on today's near-full employment and very narrow output gap by conventional measures (Figure 1) misses that the labor market and the economy are smaller than they could be. There is an untapped labor supply of as many as 2 million workers, along with business investment in the trillions of dollars on the sidelines. As the economy's potential is lifted, labor and capital become available to generate more growth.

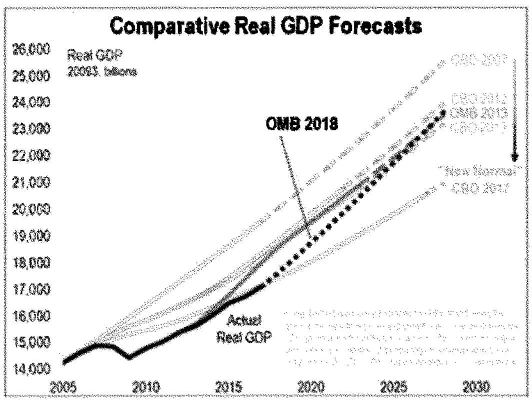
Tax Reform and Economic Growth

The economic benefits of tax reform are clear. The lower tax rates in the *Tax Cuts and Jobs Act* (TCJA) on individual income will not only increase the livelihood of American families by allowing them to keep more of what they earn, but it will also increase the reward of and incentives to work, providing a greater supply of labor to boost the potential of the economy. The lower tax rates on businesses—corporations and pass-throughs—and a territorial system of international taxation will make American companies more globally competitive, encourage companies to invest offshore profits back in the United States, making America a more attractive place to invest and create jobs.

While some economists may disagree on the extent to which a reduction in corporate tax rates translates into higher wages, nearly all economists agree that it would have some positive effect. The CEA estimates that a reduction of the U.S. corporate rate from 35 percent to 21 percent will boost average annual household income by about $4,000 annually over the long run.[3]

OMB projects that over the next decade, real GDP growth will bring the economy back to a level consistent with past projections by the Obama Administration. The endpoint falls between CBO's 2012 and 2013 projections and matches the Obama OMB's 2013 forecast. (Figure 7)

Figure 7



When examining the budget effect of tax reform in the first 10 years under TCJA, the tax reduction represents about three percent of federal revenues and 0.6 percent of GDP that CBO projected last June—even without taking economic growth effects into account.[4] Faster growth will make the temporary budget effect in the first decade smaller still, even according to the relatively modest estimates of the Joint Committee on Taxation (JCT).[5]

The standard of whether tax legislation is "revenue neutral" or "pays for itself" may be relevant to how the government finances itself, but it is not as relevant to the health of the economy or the government's ability to repay its debts.

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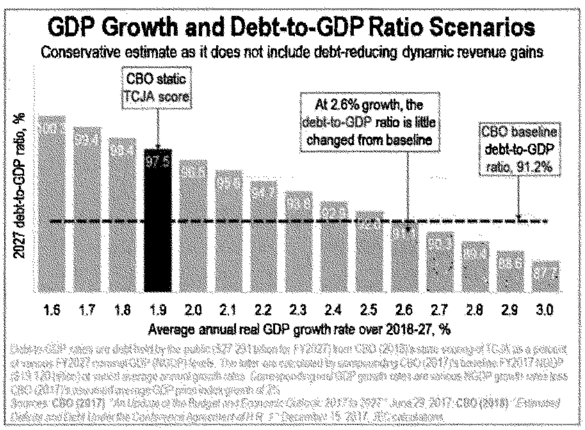
[3] https://www.whitehouse.gov/wp-content/uploads/2018/02/ERP_2018_Final-FINAL.pdf, p. 33.
[4] See https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52801-june2017outlook.pdf, p. 13, and https://www.jct.gov/publications.html?func=startdown&id=5053, p. 8.
[5] See https://www.jct.gov/publications.html?func=startdown&id=5055.

Last June, CBO projected that federal revenues will be above their historical average over the next decade, while spending will accelerate at a much faster rate. The only two viable methods for getting the debt under control are to (1) increase the size of the economy, and (2) reform entitlement programs, which are currently projected to grow unsustainably as the population ages.

The most relevant measure of national debt is its relation to the size of the economy. A central problem with the debt buildup under the previous administration is that it doubled the debt-to-GDP ratio *and* slowed economic growth. Tax reform will accelerate economic growth and may even help to lower the debt-to-GDP ratio eventually, though not necessarily within the 10-year budget window. Furthermore, tax reform would not bear sole responsibility for this, as other pro-growth policies—such as less burdensome regulations—would also help.

In context, CBO's most recent baseline forecast (made before TCJA was enacted) projected the real economy would average a meager 1.9 percent growth per year. From that baseline, CBO estimated that TCJA would increase the debt-to-GDP ratio to 97.5 percent by 2027, assuming no positive growth effects relative to its 2027 baseline projection of 91.2 percent. However, if the economy grows at an average annual rate of 2.6 percent instead, then the debt-to-GDP ratio would be unchanged from the baseline.

Figure 5



JEC Recommendations for the FY2018 Budget Resolution

Last year, the JEC offered five recommendations, three of which have been or are in the process of being implemented: Pro-growth tax reform, reducing burdensome regulations, and empowering the private sector to invest in distressed communities, such as by enacting former Chairman Pat Tiberi's and Senator Tim Scott's bipartisan *Investing in Opportunity Act* (the legislation was included in TCJA).

The other two recommendations were to replace the ACA, on which some progress has been made, and restraining growth in mandatory spending programs, which remains a critical objective. This year we add two more:

- Make permanent both TCJA's provisions affecting individual taxpayers and pass-through businesses, and make expensing of business investments permanent; and
- Enact further tax simplification, such as full repeal individual Alternative Minimum Tax.

These steps are important to lend certainty and clarity to the tax code, thereby further encouraging business investment and lowering tax compliance burdens. They will help to lift our economic potential again and reduce fiscal deficits.

Please do not hesitate to contact me if the Joint Economic Committee can be of further assistance.

Sincerely,

Erik Paulsen

Representative Erik Paulsen
Chairman
Joint Economic Committee
United States Congress

U.S. HOUSE OF REPRESENTATIVES

PERMANENT SELECT COMMITTEE ON INTELLIGENCE

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DAMON NELSON
STAFF DIRECTOR

TIMOTHY S. BERGREEN
MINORITY STAFF DIRECTOR

March 2, 2018

The Honorable Steve Womack
Chairman
Committee on the Budget
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Womack:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974 and clause 11(c)(3) of House Rule X, and in response to your letter of January 18, 2018, the Permanent Select Committee on Intelligence herewith provides its views and estimates for Fiscal Year 2019.

America today faces many complex national security challenges. From hostile nation states, to Islamic extremist organizations, to individual terrorists radicalized on the Internet, our intelligence agencies must defend our nation against a wide range of security threats. In doing so, the Intelligence Community must be prepared to counter the proliferation of Weapons of Mass Destruction, respond to the growing threat of cyber-attacks from China, Iran, North Korea, Russia, and other hostile actors, and track a vast number of hot spots around the globe.

It is critical to our nation's security that the U.S. Intelligence Community (IC) receive the resources it needs to successfully face these challenges. Our nation needs to invest in intelligence capabilities and technologies to advance our national security policy objectives, strengthen intelligence capabilities, and improve our readiness to counter the growing threats.

Because the details of funding within the Committee's jurisdiction remain classified, the Committee is unable to provide you with detailed, public recommendations for Fiscal Year 2019. However, the Committee is pleased by the funding levels established by the Bipartisan Budget Act of 2018 (BBA), and believes the current resource needs for intelligence activities can be accommodated within those BBA funding levels—provided the IC receives an increase in funding commensurate with the overall increase in national security spending.

Sincerely,

Devin Nunes
Chairman

Adam Schiff
Ranking Member

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